NOKIA CORP
Form 20-F
March 20, 2008

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As filed with the Securities and Exchange Commission on March 20, 2008.

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

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

For the fiscal year ended December 31, 2007

Commission file number 1-13202

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

Republic of Finland
(Jurisdiction of incorporation)

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

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

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

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

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

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Exchange Act: **None**

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

Shares: **3 982 811 957**

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o

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

U.S. GAAP o
International Financial Reporting Standards as issued by the International Accounting Standards Board x
Other o

Indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 o Item 18 x

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

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

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INTRODUCTION AND USE OF CERTAIN TERMS

Nokia Corporation is a public limited liability company incorporated under the laws of the Republic of Finland. In this document, any reference to we, us, the Group or Nokia means Nokia Corporation and its subsidiaries on a consolidated basis, except where we make clear that the term means Nokia Corporation or a particular subsidiary or business group only, and except that references to our shares, matters relating to our shares or matters of corporate governance refer to the shares and corporate governance of Nokia Corporation. Nokia Corporation has published its consolidated financial statements in euro for periods beginning on or after January 1, 1999. In this annual report on Form 20-F, references to EUR, euro or are to the common currency of the European Economic and Monetary Union or EMU, and references to dollars, US dollars, USD or $ are to the currency of the United States. Solely for the convenience of the reader, this annual report contains conversions of selected euro amounts into US dollars at specified rates, or, if not so specified, at the rate of 1.4603 US dollars per euro, which was the noon buying rate in New York City for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2007. No representation is made that the amounts have been, could have been or could be converted into US dollars at the rates indicated or at any other rates.

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

Nokia Corporation furnishes Citibank, N.A., as Depositary, with consolidated financial statements and a related audit opinion of our independent auditors annually. These financial statements are prepared on the basis of International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with IFRS as adopted by the European Union (IFRS). In accordance with the rules and regulations of the US Securities and Exchange Commission, we no longer provide a reconciliation of net income and shareholders equity in our consolidated financial statements to accounting principles generally accepted in the United States, or US GAAP. We also furnish the Depositary with quarterly reports containing unaudited financial information prepared on the basis of IFRS, as well as all notices of shareholders meetings and other reports and communications that are made available generally to our shareholders. The Depositary makes these notices, reports and communications available for inspection by record holders of American Depositary Receipts, or ADRs, evidencing American Depositary Shares, or ADSs (one ADS represents one share), and distributes to all record holders of ADRs notices of shareholders meetings received by the Depositary.

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

FORWARD-LOOKING STATEMENTS

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

- the timing of product, services and solution deliveries;
- our ability to develop, implement and commercialize new products, services, solutions and technologies;
- expectations regarding market growth, developments and structural changes;
- expectations regarding our mobile device volume growth, market share, prices and margins;
- expectations and targets for our results of operations;
- the outcome of pending and threatened litigation;
- expectations regarding the successful completion of contemplated acquisitions on a timely basis and our ability to achieve the set targets upon the completion of such acquisitions; and
- statements preceded by believe, expect, anticipate, foresee, target, estimate, designed, plans, w expressions

are forward-looking statements.

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

1. competitiveness of our product, service and solutions portfolio;
2. the extent of the growth of the mobile communications industry and general economic conditions globally;
3. the growth and profitability of the new market segments that we target and our ability to successfully develop or acquire and market products, services and solutions in those segments;
4. our ability to successfully manage costs;
5. the intensity of competition in the mobile communications industry and our ability to maintain or improve our market position or respond successfully to changes in the competitive landscape;
6. the impact of changes in technology and our ability to develop or otherwise acquire complex technologies as required by the market, with full rights needed to use;
7. timely and successful commercialization of complex technologies as new advanced products, services and solutions;

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

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

10. Nokia Siemens Networks ability to achieve the expected benefits and synergies from its formation to the extent and within the time period anticipated and to successfully integrate its operations, personnel and supporting activities;

11. whether, as a result of investigations into alleged violations of law by some current or former employees of Siemens AG (Siemens), government authorities or others take further actions against Siemens and/or its employees that may involve and affect the carrier-related 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 ongoing violations that may have occurred after the transfer, of such assets and employees that could result in additional actions by government authorities;

12. any impairment of Nokia Siemens Networks customer relationships resulting from the ongoing government investigations involving the Siemens carrier-related operations transferred to Nokia Siemens Networks;

13. occurrence of any actual or even alleged defects or other quality issues in our products, services and solutions;

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

15. inventory management risks resulting from shifts in market demand;

16. our ability to source sufficient amounts of fully functional components and sub-assemblies without interruption and at acceptable prices;

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

18. developments under large, multi-year contracts or in relation to major customers;

19. economic or political turmoil in emerging market countries where we do business;

20. our success in collaboration arrangements relating to development of technologies or new products, services and solutions;

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

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

23. the management of our customer financing exposure;

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

25. unfavorable outcome of litigations;

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

27. the impact of changes in government policies, laws or regulations; and

28. our ability to effectively and smoothly implement our new organizational structure;

as well as the risk factors specified in this annual report under Item 3.D 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 update publicly 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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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A Selected Financial Data

The financial data set forth below at December 31, 2006 and 2007 and for each of the years in the three-year period ended December 31, 2007 have been derived from our audited consolidated financial statements included in Item 18 of this annual report. Financial data at December 31, 2003, 2004, and 2005 and for each of the years in the two-year period ended December 31, 2004 have been derived from our previously published audited consolidated financial statements not included in this document.

The financial data at December 31, 2006 and 2007 and for each of the years in the three-year period ended December 31, 2007 should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements.

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

	Year ended December 31,					
	2003 (EUR)	2004 (EUR)	2005 (EUR)	2006 (EUR)	2007[1] (EUR)	2007[1] (USD)
	(in millions, except per share data)					
Profit and Loss Account Data						
Net sales	29 533	29 371	34 191	41 121	51 058	74 560
Operating profit	4 960	4 326	4 639	5 488	7 985	11 660
Profit before tax	5 294	4 705	4 971	5 723	8 268	12 074
Profit attributable to equity holders of the parent	3 543	3 192	3 616	4 306	7 205	10 521
Earnings per share (for profit attributable to equity holders of the parent)						
Basic earnings per share	0.74	0.69	0.83	1.06	1.85	2.70
Diluted earnings per share	0.74	0.69	0.83	1.05	1.83	2.67
Cash dividends per share[2]	0.30	0.33	0.37	0.43	0.53	0.77
Average number of shares (millions of shares)						

Basic	4 761	4 593	4 366	4 063	3 885	3 885
Diluted	4 761	4 600	4 371	4 087	3 932	3 932

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	Year ended December 31,					
	2003	**2004**	**2005**	**2006**	**2007[1]**	2007[1]
	(EUR)	(EUR)	(EUR)	(EUR)	(EUR)	(USD)
	(in millions, except per share data)					
Balance Sheet Data						
Fixed assets and other non-current assets	3 991	3 315	3 501	4 031	8 305	12 128
Cash and other liquid assets[3]	11 296	11 542	9 910	8 537	11 753	17 163
Other current assets	8 787	7 966	9 041	10 049	17 541	25 615
Total assets	24 074	22 823	22 452	22 617	37 599	54 906
Capital and reserves attributable to equity holders of the parent	15 302	14 385	12 309	11 968	14 773	21 573
Minority interests	164	168	205	92	2 565	3 746
Long-term interest-bearing liabilities	20	19	21	69	203	296
Other long-term liabilities	308	275	247	327	1 082	1 580
Borrowings due within one year	471	215	377	247	1 071	1 564
Other current liabilities	7 809	7 761	9 293	9 914	17 905	26 147
Total shareholders equity and liabilities	24 074	22 823	22 452	22 617	37 599	54 906
Net interest-bearing debt[4]	(10 805)	(11 308)	(9 512)	(8 221)	(10 479)	(15 302)
Share capital	288	280	266	246	246	359

(1) As from April 1, 2007, our consolidated financial data includes that of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of our former Networks business group and Siemens carrier-related operations for fixed and mobile networks. Accordingly, our consolidated financial data for the year ended December 31, 2007 is not directly comparable to our consolidated financial data for the prior years. Our consolidated financial data for the years prior to the year ended December 31, 2007 included our former Networks business group only.

(2) The cash dividend for 2007 is what the Board of Directors will propose for shareholders approval at the Annual General Meeting convening on May 8, 2008.

(3) Cash and other liquid assets consist of the following captions from our consolidated balance sheets: (1) bank and cash, (2) available-for-sale investments, cash equivalents, and (3) available-for-sale investments, liquid assets.

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

Distribution of Earnings

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

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

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request for a certain minimum distribution, the distribution may not exceed the amount proposed by the Board of Directors.

Share Buy-backs

Under the Finnish Companies Act, Nokia Corporation may repurchase its own shares pursuant to either a shareholders resolution or an authorization to the Board of Directors approved by the company s shareholders. The authorization may amount to a maximum of 10% of all the shares of the company (up to 5% until 2005) and its maximum duration is 18 months (up to 12 months until 2006). Our Board of Directors has been regularly authorized by our shareholders at the Annual General Meetings to repurchase Nokia s own shares since 2001, and during the past three years the authorization covered 443.2 million shares in 2005, 405 million shares in 2006 and 380 million shares in 2007. The amount authorized each year has been at or slightly under the maximum limit provided by the Finnish Companies Act.

On January 24, 2008, we announced that the Board of Directors will propose for shareholders approval at the Annual General Meeting convening on May 8, 2008 a new authorization to repurchase a maximum of 370 million shares. The maximum amount corresponds to less than 10% of Nokia s share capital and total voting rights. The authorization would be effective until June 30, 2009.

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

	Number of shares	**EUR millions (in total)**
2003	95 338 500	1 363
2004	214 119 700	2 661
2005	315 010 000	4 265
2006	212 340 000	3 412
2007	180 590 000	3 884

For more information about share buy-backs during 2007, see Item 16E Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Dividends

On January 24, 2008, we announced that the Board of Directors will propose for shareholders approval at the Annual General Meeting convening on May 8, 2008 a dividend of EUR 0.53 per share in respect of 2007.

The table below sets forth the amounts of total cash dividends per share and per ADS paid in respect of each fiscal year indicated. For the purposes of showing the US dollar amounts per ADS for 2003 through 2007, the dividend per share amounts have been translated into US dollars at the noon buying rate in New York City for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York (the noon buying rate) on the respective dividend payment dates.

	EUR per share	**USD per ADS**	**EUR millions (in total)**

2003	0.30	0.36	1 439
2004	0.33	0.43	1 539
2005	0.37	0.46	1 641
2006	0.43	0.58	1 761
2007	0.53[(1)]	[(2)]	2 111[(1)]

[(1)] To be proposed by the Board of Directors for shareholders approval at the Annual General Meeting convening on May 8, 2008.

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

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

Exchange Rate Data

The following table sets forth information concerning the noon buying rate for the years 2003 through 2007 and for each of the months in the six-month period ended February 29, 2008, expressed in US dollars per euro. The average rate for a year means the average of the exchange rates on the last day of each month during a year. The average rate for a month means the average of the daily exchange rates during that month.

	Exchange Rates			
For the year ended December 31:	**Rate at period end**	**Average rate**	**Highest rate**	**Lowest rate**
		(USD per EUR)		
2003	1.2597	1.1411	1.2597	1.0361
2004	1.3538	1.2478	1.3625	1.1801
2005	1.1842	1.2400	1.3476	1.1667
2006	1.3197	1.2661	1.3327	1.1860
2007	1.4603	1.3797	1.4862	1.2904
For the month ended:				
September 30, 2007	1.4219	1.3924	1.4219	1.3606
October 31, 2007	1.4468	1.4237	1.4468	1.4092
November 30, 2007	1.4688	1.4675	1.4862	1.4435
December 31, 2007	1.4603	1.4559	1.4759	1.4344
January 31, 2008	1.4841	1.4728	1.4877	1.4574
February 29, 2008	1.5187	1.4759	1.5187	1.4495

On February 29, 2008, the noon buying rate was USD 1.5187 per EUR 1.00.

3.B Capitalization and Indebtedness

Not applicable.

3.C Reasons for the Offer and Use of Proceeds

Not applicable.

3.D Risk Factors

Set forth below is a description of factors that may adversely affect our business, sales, results of operations, financial condition and share price from time to time.

We need to have a competitive portfolio of products, services and solutions that are preferred by our current and potential customers to those of our competitors. If we fail to achieve or maintain a competitive portfolio, our business, market share and results of operations may be materially adversely affected.

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We serve a diverse range of mobile device and network infrastructure customers across a variety of markets with different characteristics, dynamics and stages of development. In order to meet our customers needs, we need to have a competitive portfolio with products, services and solutions that are preferred to those of our competitors. For our devices business, including services, a competitive portfolio means a broad and balanced offering of commercially appealing mobile devices with attractive aesthetics, design and combination of value-adding functionalities and services for all major consumer segments and price points designed, as appropriate, for the local requirements of different markets and supported by the Nokia brand, quality and competitive cost structure. In Nokia Siemens Networks business, a competitive portfolio means a high-quality offering of products, services and solutions designed to meet the requirements of our customers and local markets, supported by a competitive cost structure and cost-effectiveness to our customers. If we fail to achieve or maintain a competitive portfolio and balance successfully the global portfolio with the local requirements of our customers in the different markets in a cost-effective manner, our business, market share, and results of operations may be materially adversely affected.

In order to have a competitive portfolio of products, services and solutions and to establish and maintain good relationships with our customers, we need to identify and understand the key market trends and user segments and address our customers needs in the different markets proactively and on a timely basis. To achieve that, we must constantly obtain and evaluate a complex array of feedback and other data in an efficient manner. In addition, the competitiveness of our portfolio depends on our ability to introduce on a continuing and timely basis ahead of our competitors new innovative and appealing products, services, solutions and related business models and designed to create new or address yet unidentified needs among our current and potential customers. If we fail to analyze correctly or respond timely and appropriately to key market trends, customer feedback and other data or to introduce new innovative and commercially appealing products, services and solutions and to adapt our business accordingly, our ability to retain our current customers and attract new customers may be impaired and our market share, business and results of operations may be materially adversely affected.

Certain mobile network operators require mobile devices to be customized to their specifications with certain preferred features, functionalities or design and co-branding with the mobile network operator s brand. Currently, this is particularly the case in North America and in certain individual markets in the Asia-Pacific region where sales to mobile network operators represent the major percentage of our sales. As a result, we produce mobile devices for certain operators in smaller lot sizes, which may impact our economies of scale, profitability and after-sales service capabilities. In addition, customization could possibly erode the Nokia brand.

The competitiveness of our product, services and solutions portfolio is also influenced by our capability to communicate about our mobile devices, including services, effectively through consistent and focused marketing messages to the target audience, and the value of the Nokia brand. A number of factors, including actual or even alleged quality issues or defects in our products, services and solutions, may have a negative effect on our reputation and erode the value of the Nokia brand. Any impairment of our reputation or erosion of the value of the Nokia brand could have a material adverse effect on our capacity to retain our current customers and attract new customers and on our business, market share, and results of operations.

Our sales and profitability depend materially on the continued growth of the mobile communications industry in terms of the number of new mobile subscribers, number of existing subscribers who upgrade and/or replace their devices, and increased usage and demand for value-added services as well as on general economic conditions globally and regionally. If the mobile communications industry does not grow as we expect or general economic conditions deteriorate, our business and results of operations may be materially adversely affected.

Our sales and profitability depend materially on the continued growth of the mobile communications industry in terms of the number of new mobile subscribers and increased usage and, to an increasing

degree, the number of existing subscribers who upgrade or simply replace their existing mobile devices. Our sales and profitability are also affected by the extent to which there is increasing demand for, and development of, value-added services, leading to opportunities for us to successfully market mobile devices that feature those services. These developments in our industry are both within and outside of our control. In certain low penetration markets, in order to support a continued increase in mobile subscribers, we are dependent both on our own and mobile network operators and distributors ability to increase the sales volumes of lower cost mobile devices and on mobile network operators to offer affordable tariffs and to offer tailored mobile network solutions designed for a low total cost of ownership. In highly penetrated markets, we are dependent both on our own and mobile network operators ability to successfully introduce services that drive the upgrade and replacement of devices, as well as ownership of multiple devices. Nokia Siemens Networks is dependent on the growth of the investments made by mobile network operators and service providers.

If we and the mobile network operators and distributors are not successful in our attempts to increase subscriber numbers, stimulate increased usage or drive upgrade and replacement sales of mobile devices and develop and increase demand for value-added services, or if investments by mobile network operators and service providers in the related infrastructure grow at a slower pace than anticipated, our business and results of operations could be materially adversely affected.

As we are a global company and have sales in most countries of the world, our sales and profitability are also somewhat dependent on general economic conditions globally and regionally. Historically, we have not seen a strong correlation between sales of mobile devices and changes in macroeconomic activity as measured by gross domestic product. While mobile devices are increasingly considered essential value-adding personal items, rather than luxury items, deteriorating general economic conditions and their possible impact on the financial position of our current and potential customers could have a material adverse effect on our business.

The mobile communications industry continues to undergo significant changes and new market segments within our industry have been introduced and are still being introduced. Our sales and profitability are significantly affected by the growth and profitability of the new market segments that we target and our ability to successfully develop or acquire and market products, services and solutions in those segments. If the new market segments we target and invest in grow less or are less profitable than expected, or if new faster growing market segments emerge in which we have not invested, our business, results of operations and financial condition may be materially adversely affected.

The mobile communications industry continues to undergo significant changes. Traditional mobile voice communications, the Internet, information technology, media, entertainment, music, and consumer electronics industries are converging in some areas into one broader industry. As a result, new market segments within the mobile communications industry have been introduced and are still being introduced by both traditional and new industry participants leading to the creation of new mobile devices, services and ways to use those devices. Companies that seek to enter new market segments may also need to revise their business models in order to compete effectively. As well, while participants in the mobile communications industry once provided complete products and solutions, industry players are increasingly providing specific hardware and software layers and various services for products and solutions.

In our devices business, we have made significant investments during the past several years in certain of these devices market segments, such as smartphones, multimedia computers, enterprise applications, navigation, music, video, TV, imaging, games and solutions and software for business mobility. With the increasing availability of high speed wireless Internet access and progressively more of our devices featuring advance multimedia-type capabilities, we see new business opportunities to increase our offering of consumer Internet services and to deliver these services in an easily accessible manner through our devices, and we expect to make further investments in this market segment. We also expect to continue our investments in enterprise solutions and software. In our network infrastructure business, we expect to continue making investments in enterprise mobility infrastructure as well as managed services, systems integration and consulting businesses.

We have made, and may also make in the future, a significant portion of these investments through strategic acquisitions. We may, however, fail to successfully complete or integrate the acquired businesses; the acquired businesses may carry higher valuations than Nokia, which may have a dilutive effect on our profits; the future valuations of acquired businesses may decrease from the purchase price we have paid and result in impairment charges related to goodwill or other acquired assets; and as a result of all or a portion of a purchase price being paid in cash, the acquisitions may have a potential adverse effect on our cash position.

New market segments in the mobile communications industry are in different stages of development. Accordingly, it may be difficult for us to accurately predict which new market segments are the most advantageous for us to focus on, or we may fail to timely identify new market segments emerging in the mobile communications industry. If the new market segments which we target and invest in grow less than expected, we may not receive a return on our investment as soon as we expect, or at all. We may also forego growth opportunities in new market segments of the mobile communications industry which we choose not to focus on or fail to timely identify. Moreover, the market segments that we target may be less profitable than we currently foresee. We may also incur short-term operating losses in certain of these new market segments if we are not able to generate sufficient net sales to cover the early stage investments required to pursue these new business opportunities.

Our past performance in our established market segments does not guarantee our success in these new market segments, particularly where significant changes to the way we do business are required to enter or effectively compete in these segments. We may have less experience and technological skills in the new market segments, such as consumer Internet services, compared with our established market segments, or we may fail to reach adequate scale in these new segments, and some of our competitors in these new segments may have more scale and experience and a stronger market presence. Further, our success in the consumer Internet services segment also depends on the acceptance by the market, including our mobile network operator customers, of our expanding consumer Internet services and on the network operators strategies regarding their own offering of consumer Internet services. Any of these events could materially adversely affect our results of operations, financial condition and share price.

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

The products, services and solutions we offer are subject to natural price erosion over their life cycle. In addition, the average selling price of our devices has declined during recent years and it may continue to decline in the future. The factors impacting our average selling price include the extent to which our product mix is weighted towards lower-priced products and our regional mix is weighted towards emerging markets where lower-priced products predominate. Further, there is continuing demand for mobile devices with new or enhanced functionalities and services while the prices of those products must remain competitive.

In order to be profitable, we need to be able to lower our costs at the same rate or faster than the price erosion and declining average selling price of our devices. We also need to introduce cost-efficient devices with new or enhanced functionalities and services with higher prices in a timely manner and proactively manage the costs related to our products, services and solutions, manufacturing, logistics and other operations and related licensing. If we are unable to do this, this will have a material adverse effect on our business and results of operations, particularly our profitability. We believe that our market share results in economies of scale and, therefore, in a cost advantage for our devices when compared to our competitors. If we fail to maintain or increase our market share and scale compared to our competitors as well as leverage our scale to the fullest

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extent, our cost advantage may be eroded, which could materially adversely affect our competitive position, business and our results of operations, particularly our profitability.

Competition in our industry is intense. Our failure to maintain or improve our market position or respond successfully to changes in the competitive landscape may have a material adverse effect on our business and results of operations.

The markets for our products, services and solutions are intensely competitive. Industry participants compete with each other mainly on the basis of the breadth and depth of their product, service and solutions portfolio, design, price, operational and manufacturing efficiency, technical performance, distribution, quality, customer support and brand. The competition continues to be intense from both our traditional competitors in the mobile and fixed communications industry as well as a number of new competitors. Some of our competitors have used, and we expect will continue to use, more aggressive pricing strategies, different design approaches and alternative technologies. In addition, some competitors have chosen to focus on building products based on commercially available components, which may enable them to introduce these products faster and with lower levels of research and development expenditures than Nokia. Additionally, because mobile network operators are increasingly offering mobile devices under their own brand, we face increasing competition from non-branded mobile device manufacturers. Due to the intensity of the competition overall, the competitive landscape in our industry or in specific industry segments can change very rapidly.

As a result of developments in our industry, including convergence of mobile device technology with the Internet, we also face new competition from companies in related industries, such as Internet-based products and services, consumer electronics manufacturers, network operators and business device and solution providers, some of which have more scale and experience and a stronger market presence in certain segments such as Internet services. In addition, new companies, primarily consumer electronics manufacturers, are entering the mobile device business. The competitive environment, including the competitive means, of these new converged market segments differ from the more established segments within our industry. Some of the new market segments that we target are still in early stages of development and it may be difficult to predict the main competitors and competitive environment in these market segments. Further, as the industry now includes increasing numbers of participants that provide specific hardware and software layers within products, services and solutions, we also face competition at the level of these layers rather than solely at the level of complete products, services and solutions. In some of these layers, we may have more limited experience and scale than our competitors. If we cannot respond successfully to these competitive developments, our business and results of operations may be materially adversely affected.

Consolidation among the industry participants, including further concentration of the market on fewer industry participants, could potentially result in stronger competitors that are better able to compete as end-to-end suppliers as well as competitors who are more specialized in particular areas. Moreover, the increased concentration among the mobile network operators, particularly in North America where sales of mobile devices to operators represent the major percentage of our sales, is resulting in fewer customers whose purchase preferences may differ from our current product portfolio. In addition to mergers, the consolidation among the industry participants may take place in form of various types of joint ventures, partnerships and other cooperation targeted to obtain potential economies of scale, such as increased bargaining power and price visibility. These developments could have a material adverse effect on our business and results of operations.

See Item 4.B Business Overview Mobile Devices Competition Devices and Nokia Siemens Networks Competition f more detailed discussion of competition in our industry.

We must develop or otherwise acquire complex, evolving technologies to use in our business. If we fail to develop or otherwise acquire these complex technologies as required by the market, with full rights needed to use in our

business, or to protect them, or to successfully commercialize such technologies as new advanced products, services and solutions that meet

customer demand, or fail to do so on a timely basis, this may have a material adverse effect on our business and results of operations.

In order to succeed in our markets, we believe that we must develop or otherwise acquire complex, evolving technologies to use in our business. However, the development and use of new technologies, applications and technology platforms for our mobile devices, services and software and networks infrastructure products involve time, substantial costs and risks, both within and outside of our control. We must also be able to convert these complex technologies into affordable and usable products, services and solutions. This is true regardless of whether we develop these technologies internally, acquire or invest in other companies with these technologies or collaborate with third parties on the development of these technologies. In addition, we seek to protect our technology investments with intellectual property rights. When doing this, our business is influenced by the regulatory and legal environments approach to intellectual property rights, including the scope and degree of patent and copyright protection as well as copyright levies which vary country by country.

The technologies, functionalities, features and services on which we choose to focus may not achieve as broad or timely customer acceptance as we expect. This may result from numerous factors, including the availability of more attractive alternatives and a lack of sufficient compatibility with other existing technologies, products, services and solutions or regulators decisions. Additionally, even if we do select the technologies, functionalities, features and services that customers ultimately want, we or the companies that work with us may not be able to bring them to the market at the right time. We may also face difficulties accessing the technologies preferred by our current and potential customers, or at prices acceptable to them.

Our products, services and solutions include increasingly complex technology involving numerous new Nokia and Nokia Siemens Networks patented, standardized, or proprietary technologies, as well as some developed or licensed to us by third parties. There can be no assurance that the technologies, with full rights needed to be used in our business, will be available or available on commercially acceptable terms, on a timely basis.

Furthermore, as a result of ongoing technological developments, our products, services and solutions are increasingly used together with hardware, software or service components that have been developed by third parties, whether or not we have authorized their use with our products, services and solutions. However, such components, such as batteries or software applications, may not be compatible with our products, services and solutions and may not meet our and our customers quality, safety, security or other standards. As well, certain components or layers that may be used with our products may enable our products, services and solutions to be used for objectionable purposes, such as to transfer content that might be illegal, hateful or derogatory. The use of our products, services and solutions with incompatible or otherwise substandard hardware, software or software components, or for purposes that are inappropriate, is largely outside of our control and could harm the Nokia brand.

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

Our products, services and solutions include increasingly complex technologies, some of which have been developed by us or licensed to us by third parties. As the amount of such proprietary technologies and the number of parties claiming intellectual property rights continues to increase, even within individual products, as the range of our products, services and solutions becomes more diversified and we enter new businesses, and as the complexity of the technology increases, the

possibility of alleged infringement and related intellectual property claims against us continues to rise. The holders of patents and other intellectual property rights potentially relevant to our products and solutions may be unknown to us, may have different business models, or may otherwise make it difficult for us to acquire a license on commercially acceptable terms. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by others which could impair our ability to rely on such technologies. In addition, although we endeavor to ensure that companies that work with us possess appropriate intellectual property rights or licenses, we cannot fully avoid risks of intellectual property rights infringement created by suppliers of components and various layers in our products, services and solutions or by companies with which we work in cooperative research and development activities. Similarly, we and our customers may face claims of infringement in connection with our customers use of our products, services and solutions.

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

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

From time to time, some existing patent licenses may expire or otherwise become subject to renegotiation. The inability to renew or finalize such arrangements with acceptable commercial terms may result in costly and time-consuming litigation, and any adverse result in any such litigation may lead to restrictions on our ability to sell certain products, services or solutions, and could result in payments that potentially could have a material adverse effect on our operating results. Most notably, we are party to numerous legal proceedings with Qualcomm Incorporated (Qualcomm including its affiliates). For more information about these legal proceedings with Qualcomm, see Item 8.A.7 Litigation Intellectual property rights litigation. These legal proceedings may continue to be expensive and time-consuming and divert the efforts of our management and technical personnel from our business, and, if decided against us, could result in restrictions on our ability to sell our products, services and solutions, require us to pay increased licensing fees, substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on our business and results of operations.

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

Any restrictions on our ability to sell our products, services and solutions due to expected or alleged

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

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

Our products, services and solutions include numerous new Nokia and Nokia Siemens Networks patented, standardized and proprietary technologies on which we depend. Despite the steps that we have taken to protect our technology investment with intellectual property rights, we cannot be certain that any rights or pending applications will be granted or that the rights granted in connection with any future patents or other intellectual property rights will be sufficiently broad to protect our technology. Third parties may infringe our intellectual property relating to our non-licensable proprietary features or by ignoring their obligation to seek a license.

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

Currently expected benefits and synergies from forming Nokia Siemens Networks may not be achieved to the extent or within the time period that is currently anticipated or the currently expected benefits or synergies may not be sufficient to achieve the objectives for the formation of Nokia Siemens Networks. We may also encounter costs and difficulties related to the integration of Nokia Siemens Networks which could reduce or delay the realization of anticipated net sales, cost savings and operational benefits.

On April 1, 2007, our Networks business group was combined with the carrier-related operations for fixed and mobile networks of Siemens to form Nokia Siemens Networks, jointly owned by Nokia and

Siemens and consolidated by Nokia. See Item 4.B Business Overview Nokia Siemens Networks for a more detailed discussion of Nokia Siemens Networks.

Achieving the expected benefits and synergies of Nokia Siemens Networks will depend, in part, upon whether the operations, personnel and supporting activities can be integrated in an efficient manner. The process of effectively integrating these businesses into one company has required and will continue to require significant managerial and financial resources and may divert management s attention from other business activities. The failure to successfully integrate Nokia Siemens Networks within the expected time frame could have a material adverse effect on our business, financial condition and results of operations. In addition to all the applicable other risks included in this Item 3.D Risk Factors , Nokia Siemens Networks may also expose us to certain additional risks, including difficulties arising from operating a significantly larger and more complex organization. Further, unexpected costs and challenges may arise whenever businesses with different operations, management and culture are combined.

Nokia and Nokia Siemens Networks have announced a cost synergy target for Nokia Siemens Networks of EUR 2 billion in annual cost synergies, substantially all of which are targeted to be achieved by the end of 2008. Nokia and Nokia Siemens Networks have also announced that they estimate the total charges associated with these cost synergies to be slightly above EUR 2 billion. However, for a variety of reasons, Nokia Siemens Networks may not be able to realize the full cost synergy target or the total charges associated with these cost synergies may be greater than estimated. In addition, the synergy targets and estimates of the associated charges are based on conditions at the time of the related announcements and do not necessarily reflect future developments that may result from changes in the industry or Nokia Siemens Networks operations. Any failure of Nokia and Nokia Siemens Networks to identify and implement the necessary cost reductions and profitability improvement measures within the expected time frame or the potential that these efforts may not generate the currently expected level of cost synergies going forward, could result in lower than targeted annual cost synergies for Nokia Siemens Networks. Furthermore, as a result of developments in the market for mobile and fixed networks infrastructure and related services, including slower than anticipated industry growth and intensifying competition, the currently expected benefits and synergies may not be sufficient to achieve the objectives for the formation of Nokia Siemens Networks. Any of these events could have a material adverse effect on our financial condition and results of operations.

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

Public prosecutors and other government authorities in jurisdictions around the world, including the US Securities and Exchange Commission (the SEC) and the US Department of Justice, are conducting criminal and other investigations with respect to whether certain transactions and payments arranged by some current or former employees of Siemens Com business group, covering the carrier-related operations for fixed and mobile networks that have been transferred to Nokia Siemens Networks, were unlawful. Substantial transactions and payments involving Siemens former Com business group are under investigation.

In addition to the ongoing investigations, there could be additional investigations launched in the future by governmental authorities in these or other jurisdictions and existing investigations may be expanded. These governmental authorities may take action against Siemens and/or some of its

employees. These actions could include criminal and civil fines, in addition to the EUR 201 million fine already imposed on Siemens by German authorities for irregularities in the Siemens former Com business group, as well as penalties, sanctions, injunctions against future conduct, profit disgorgement, disqualifications from engaging in certain types of business, the loss of business licenses or permits, the appointment of a monitor to review future business and ensure compliance or other restrictions. To date, none of the fines imposed on Siemens has applied to Nokia Siemens Networks or Nokia. It is not possible at this time to predict whether these or other government authorities will take further actions and if they do what they might be and the extent to which such actions might apply to or affect Nokia Siemens Networks or Nokia.

The government investigations and Siemens own investigation are ongoing. Also, certain aspects of the internal review by Nokia Siemens Networks and Nokia are ongoing. Accordingly, it is not possible to ensure that Siemens employees who may have been involved in the alleged violations of law were not transferred to Nokia Siemens Networks. Nor is it possible to predict the extent to which there may be undetected additional violations of law that may have occurred prior to the transfer that could result in additional actions by government authorities. It is also not possible to predict whether there have been any ongoing violations of law after the formation of Nokia Siemens Networks involving the assets and employees of the Siemens carrier-related operations that could result in additional actions by government authorities. The development of any of these situations could have a material adverse effect on Nokia Siemens Networks and our reputation, business, results of operations and financial condition. In addition, detecting, investigating and resolving such situations have been and may continue to be expensive and consume significant time, attention and resources of Nokia Siemens Networks and our management, which could harm our business and that of Nokia Siemens Networks.

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

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

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

Any actual or even alleged defects or other quality issues in our products, services and solutions could materially adversely affect our sales, results of operations, reputation and the value of the Nokia brand.

Our products are highly complex and defects in their design and manufacture have occurred and may occur in the future. Quality issues are emphasized in our device business due to very high production volumes of many of our devices, as a result of which even a single defect in their design or manufacture may have material adverse effect on our business. In the network infrastructure business, the undisturbed functioning of large mobile and fixed telecommunications networks may depend on the proper functioning of our products.

Defects and other quality issues may result from, among other things, failures in our own product creation and manufacturing processes or failures of our suppliers to comply with our supplier requirements. Prior to the shipment, quality issues may cause delays in shipping products to customers and related additional costs or even cancellation of orders by customers. After shipment, products may fail to meet marketing expectations set for them, may malfunction or may contain security vulnerabilities, and thus cause additional repair, product replacement, recall or warranty costs to us and harm our reputation. Although we endeavor to develop products that meet the appropriate security standards, including privacy protection, for each product segment, we or our products may, due to our market position, be subject to hacking or other unauthorized modifications or illegal activities that may cause potential security risks to our customers or end-users of our products. In case of issues affecting a product s safety or regulatory compliance or product security, we may be subject to damages due to product liability, or defective products or components may need to be replaced or recalled. Any actual or alleged defects or other quality issues in our products, services and solutions, or even in their unlawful copies, could materially adversely affect our sales, results of operations, reputation and the value of the Nokia brand.

Our sales and results of operations could be materially adversely affected if we fail to efficiently manage our manufacturing and logistics without interruption, or fail to ensure that our products, services and solutions meet our and our customers quality, safety, security and other requirements and are delivered on time and in sufficient volumes.

Our manufacturing and logistics are complex, require advanced and costly equipment and include outsourcing to third parties. These operations are continuously modified in an effort to improve efficiency and flexibility of our manufacturing and logistics and to produce and distribute continuously increased volumes. We may experience difficulties in adapting our supply to meet the demand for our products, ramping up or down production at our facilities as needed, maintaining an optimal inventory level, adopting new manufacturing processes, finding the most timely way to develop the best technical solutions for new products, managing the increasingly complex manufacturing process for our high-end products, particularly the software for these high-end products, or achieving manufacturing efficiency and flexibility, whether we manufacture our products and solutions ourselves or outsource to third parties. We may also experience challenges caused by third parties or other external difficulties in connection with our efforts to modify our operations to improve the efficiency and flexibility of our manufacturing and logistics, including, but not limited to, strikes, purchasing boycotts, public harm to the Nokia brand and claims for compensation resulting from our decisions on where to locate our manufacturing facilities and business. Such difficulties may have a material adverse effect on our business and results of operations and may result from, among other things, delays in adjusting or upgrading production at our facilities, delays in expanding production capacity, failure in our manufacturing and logistics processes, failures in the activities we have outsourced, and interruptions in the data communication systems that run our operations. Such failures or interruptions could result in our products, services and solutions not meeting our and our customers quality, safety, security and other requirements, or being delivered late or in insufficient volumes compared to our own estimates or customer requirements, which could have a material adverse effect on our sales, our results of operations, reputation and the value of the Nokia brand.

We depend on a limited number of suppliers for the timely delivery of sufficient amounts of fully functional components and sub-assemblies and for their compliance with our supplier requirements, such as our and our customers product quality, safety, security and other standards. Their failure to do so could materially adversely affect our ability to deliver our products, services and solutions successfully and on time.

Our manufacturing operations depend to a certain extent on obtaining sufficient amounts of adequate supplies of fully functional components and sub-assemblies on a timely basis. In mobile devices, our principal supply requirements are for electronic components, mechanical components and software, which all have a wide range of applications in our products. Electronic components include chipsets, integrated circuits, microprocessors, standard components, memory devices, cameras, displays, batteries and chargers, while mechanical components include covers, connectors, key mats and antennas. Software includes various third-party software that enables various features and applications, like location based services, to be added into our products. Nokia Siemens Networks components and sub-assemblies sourced and manufactured by third-party suppliers include Nokia Siemens Networks-specific integrated circuits and radio frequency components; servers; sub-assemblies such as printed wire board assemblies, filters, combiners and power units; and cabinets.

In addition, a particular component may be available only from a limited number of suppliers. Suppliers may from time to time extend lead times, limit supplies, increase prices or be unable to increase supplies to meet increased demand due to capacity constraints or other factors, which could adversely affect our ability to deliver our products, services and solutions on a timely basis. Moreover, a component supplier may fail to meet our supplier requirements, such as, most notably, our and our customers product quality, safety, security and other standards, and consequently some of our products may be unacceptable to us and our customers, or may fail to meet our own quality controls. In case of issues affecting a product s safety or regulatory compliance, we may be subject to damages due to product liability, or defective products or components may need to be replaced or recalled. In addition, a component supplier may experience delays or disruption to its manufacturing processes or financial difficulties. Due to our high volumes, any of these events, or mere allegation of failures in our products, services and solutions, could delay our successful and timely delivery of products, services and solutions that meet our and our customers quality, safety, security and other requirements, or otherwise materially adversely affect our sales and results of operations or our reputation and brand value. See Item 4.B Business Overview Mobile Devices Production and Nokia Siemens Networks Production fo a more detailed discussion of our production activities.

Possible consolidation among our suppliers could potentially result in larger suppliers with stronger bargaining power and limit the choice of alternative suppliers, which could lead to an increase in the cost, or limit the availability, of components that may materially adversely affect our sales and results of operations.

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

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

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

The global networks business relies on a limited number of customers and large multi-year contracts. Unfavorable developments under such a contract or in relation to a major customer may adversely and materially affect our sales, results of operations and financial position.

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

Furthermore, the number of Nokia Siemens Networks customers may diminish due to operator consolidation. This could increase reliance on fewer larger customers, which may have a material adverse effect on Nokia Siemens Networks bargaining position, and, in turn, our sales and results of operations.

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

We generate sales from and have manufacturing facilities located in various emerging market countries. Sales from these countries represent a significant portion of our total sales and these countries represent a significant portion of the expected industry growth. Accordingly, economic or political turmoil in these countries could materially adversely affect our sales and results of operations and the supply of devices and network infrastructure equipment manufactured in these countries. Our investments in emerging market countries may also be subject to risks and uncertainties, including unfavorable taxation treatment, exchange controls, challenges in protecting our intellectual property rights, nationalization, inflation, currency fluctuations, or the absence of, or unexpected changes in, regulation as well as other unforeseeable operational risks. See Note 2 to our consolidated financial statements included in Item 18 of this annual report for more detailed information on geographic location of net sales to external customers, segment assets and capital expenditures.

We are developing a number of our new products, services and solutions together with other companies. If any of these companies were to fail to perform as planned, we may not be able to bring our products, services and solutions to market successfully or in a timely way and this could have a material adverse effect on our sales and results of operations.

We invite the providers of technology, components or software to work with us to develop technologies or new products, services and solutions. These arrangements involve the commitment by each company of various resources, including technology, research and development efforts, and personnel. Although the objective of these arrangements is a mutually beneficial outcome for each party, our ability to introduce new products, services and solutions that meet our and our customers quality, safety, security and other standards successfully and on schedule could be hampered if, for example, any of the following risks were to materialize: the arrangements with the companies that work with us do not develop as expected; the technologies provided by the companies that work with us are not sufficiently protected or infringe third parties intellectual property rights in a way that we cannot foresee or prevent; the technologies, products, services or solutions supplied by the companies that work with us do not meet the required quality, safety, security and other standards or customer needs; our own quality controls fail; or the financial condition of the companies that work with us deteriorates. Any of these events could materially adversely affect our sales and results of operations.

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Our sales, costs and results of operations are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Chinese yuan, the UK pound sterling and the Japanese yen, as well as certain other currencies.

We operate globally and are therefore exposed to foreign exchange risks in the form of both transaction risks and translation risks. Our policy is to monitor and hedge exchange rate exposure, and we manage our operations to mitigate, but not to eliminate, the impacts of exchange rate fluctuations. Our sales, costs and results of operations may be materially affected by exchange rate fluctuations. Similarly, exchange rate fluctuations may also materially affect the US dollar value of any dividends or other distributions that are paid in euro. For a more detailed discussion of exchange risks, see Item 5.A Operating Results Certain Other Factors United States Dollar, Item 5.A Operating Results Results of Operations Exchange Rates and Note 35 of our consolidated financial statements included in Item 18 of this annual report.

Providing customer financing or extending payment terms to customers can be a competitive requirement and could have a material adverse effect on our results of operations and financial condition.

Customers in some markets sometimes require their suppliers, including us, to arrange or provide financing in order to obtain sales or business. Moreover, they may require extended payment terms. In some cases, the amounts and duration of these financings and trade credits, and the associated impact on our working capital, may be significant. Defaults under these financings have occurred in the past and may also occur in the future.

Customer financing continues to be requested by some of our customers in some markets, but to a considerably lesser extent and with considerably lower importance than in the late 1990s and early 2000s. As a strategic market requirement, we plan to continue to arrange and facilitate financing to our customers, and provide financing and extended payment terms to a small number of selected customers. Extended payment terms may continue to result in a material aggregate amount of trade credits, but the associated risk is mitigated by the fact that the portfolio relates to a variety of customers. We cannot guarantee that we will be successful in providing needed financing to customers. Also, our ability to manage our total customer finance and trade credit exposure depends on a number of factors, including our capital structure, market conditions affecting our customers, the level of credit available to us and our ability to mitigate exposure on acceptable terms. We cannot guarantee that we will be successful in managing the challenges connected with the total customer financing and trade credit exposure that we may have from time to time. See Item 5.B Liquidity and Capital Resources Structured Finance, and Note 35(b) to our consolidated financial statements included in Item 18 of this annual report for a more detailed discussion of issues relating to customer financing, trade credits and related commercial credit risk.

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

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

government agencies, international health organizations and other scientific bodies in order to develop a better scientific and public understanding of these issues.

Over the past seven years Nokia has been involved in several class action matters alleging that Nokia and other manufacturers and cellular service providers failed to properly warn consumers of alleged potential adverse health effects and failed to package headsets with every handset to reduce the potential for alleged adverse health effects. All but two of these cases have been withdrawn or dismissed. The remaining pending cases are before the United States Federal District Court for the Eastern District of Pennsylvania, currently subject to a plaintiffs motion to remand the case to the Pennsylvania state courts, and the District of Columbia Superior Court, currently the subject of a motion to dismiss. In addition, Nokia and other mobile device manufacturers and cellular service providers were named in five lawsuits by individual plaintiffs who allege that radio emissions from mobile phones caused or contributed to each plaintiff s brain tumor. Those cases were dismissed in August 2007. The plaintiffs appealed those dismissals to the District of Columbia Court of Appeals which are currently pending.

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

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

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

See Item 8.A.7 Litigation for a more detailed discussion about litigation that we are party to.

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

We must continue to recruit, retain and, through constant competence training, develop appropriately skilled employees with a comprehensive understanding of our current businesses and technologies and the new market segments that we target. As competition for skilled personnel remains keen, we seek to create a corporate culture that encourages creativity and continuous learning. We are also continuously developing our compensation and benefits policies and taking other measures to attract and motivate skilled personnel. Nevertheless, we have encountered in the past, and may encounter in the future, shortages of appropriately skilled personnel, which may hamper our ability to implement our strategies and materially harm our business and results of operations.

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

Our business is subject to direct and indirect regulation in each of the countries in which we, the companies with which we work or our customers do business. As a result, changes in various types of regulations and trade policies applicable to current or new technologies, products or services could affect our business adversely. For example, it is in our interest that the Federal Communications Commission maintains a regulatory environment that ensures the continued growth of the wireless sector in the United States. In addition, changes in regulation affecting the construction of base stations and other network infrastructure could adversely affect the timing and costs of new network construction or expansion and the commercial launch and ultimate commercial success of these networks.

Moreover, the implementation of technological or legal requirements, such as the requirement in the

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United States that all handsets must be able to indicate their physical location, could affect our products, services and solutions, manufacturing or distribution processes, as well as the timing of product, services and solution introductions, the cost of our production, products, services or solutions and their commercial success. Export control, tariffs or other fees or levies imposed on our products, environmental, product safety and security and other regulations that adversely affect the export, import, pricing or costs of our products, services and solutions, as well as new services related to our products, could also adversely affect our sales and results of operations.

The impact of these changes in regulation and trade policies could affect our business adversely even though the specific regulations do not always directly apply to us or our products, services and solutions. In addition to changes in regulation and trade policies, our business may be adversely affected by local business culture and general practices in some regions that are contrary to our code of conduct.

See Item 4.B Business Overview Government Regulation Devices and Nokia Siemens Networks for a more detailed discussion about the impact of various regulations.

If we are unable to effectively and smoothly implement the new organizational structure effective January 1, 2008, we may experience a material adverse effect on our business, sales and results of operations.

Under our new organizational structure effective January 1, 2008, our three mobile device business groups Mobile Phones, Multimedia and Enterprise Solutions and the supporting horizontal groups were replaced by an integrated business segment, Devices & Services. This reorganization is aimed at creating a structure aligned with the opportunities we see for future growth in devices and services and to increase efficient ways of working across the company. Should we fail to implement the new organizational structure effectively and smoothly, the efficiency of our operations and performance may be affected, which may have a material adverse effect on our business, sales and results of operations during 2008, and possibly also thereafter.

See Item 4.A History and Development of the Company Organizational Structure for a more detailed discussion about our new organizational structure.

ITEM 4. INFORMATION ON THE COMPANY

4.A History and Development of the Company

Nokia is the world leader in mobility, driving the transformation and growth of the converging Internet and communications industries. We make a wide range of mobile devices with services and software that enable people to experience music, navigation, video, television, imaging, games, business mobility and more. Developing and growing our offering of consumer Internet services, as well as our enterprise solutions and software, is a key area of focus. We also provide equipment, solutions and services for communications networks through Nokia Siemens Networks.

For 2007, our net sales totaled EUR 51.1 billion (USD 74.6 billion) and net profit was EUR 7.2 billion (USD 10.5 billion). At the end of 2007, we employed 112 262 people; had production facilities for mobile devices and network infrastructure around the world; sales in more than 150 countries; and a global network of sales, customer service and other operational units.

History

During our 141 year history, Nokia has evolved from its origins in the paper industry to become the world leader in mobile communications. Today, approximately a billion people from virtually every demographic segment of the population use Nokia mobile devices for communications, business, entertainment and as luxury items.

The key milestones in our history are as follows:

In 1967, we took our current form as Nokia Corporation under the laws of the Republic of

Finland. This was the result of the merger of three Finnish companies: Nokia AB, a wood-pulp mill founded in 1865; Finnish Rubber Works Ltd, a manufacturer of rubber boots, tires and other rubber products founded in 1898; and Finnish Cable Works Ltd, a manufacturer of telephone and power cables founded in 1912.

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

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

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

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

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

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

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

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

Organizational structure

From January 1, 2004 through March 31, 2007, we had four business groups Mobile Phones, Multimedia, Enterprise Solutions and Networks supported and serviced by two horizontal groups, Customer and Market Operations and Technology Platforms, in addition to various Corporate Functions. On April 1, 2007, Nokia s Networks business group was combined with Siemens carrier-related operations for fixed and mobile networks to form Nokia Siemens Networks, jointly owned by Nokia and Siemens and consolidated by Nokia.

As of January 1, 2008, our three mobile device business groups and the supporting horizontal groups have been replaced by an integrated business segment, Devices & Services. This reorganization is aimed at creating a structure aligned with the opportunities we see for future growth in devices and services and to increase efficient ways of working across the company. Under this new structure we conduct and manage our devices and services business in an integrated manner through:

Devices, responsible for developing the best device portfolio for the marketplace, including sourcing of components;

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Services & Software, reflecting our strategic emphasis on developing and growing our offering of consumer Internet services and enterprise solutions and software;

Markets, responsible for the management of our supply chains, sales channels, brand and marketing activities; and

A *Corporate Development Office*, reported under Corporate Functions, which has been established to focus on our strategy and future growth, and to provide operational support for integration across all the units.

Based on our revised organizational structure and the way we manage and allocate resources, from January 1, 2008, we have two reportable segments for financial reporting purposes: Devices & Services and Nokia Siemens Networks. Effective from the closing date of the pending acquisition of NAVTEQ Corporation (NAVTEQ), NAVTEQ s current map data business will operate organizationally as a wholly-owned subsidiary of Nokia and will be a separate reportable segment.

The following business overview continues to describe our business prior to this reorganization in order to align with the financial segment reporting and discussion through December 31, 2007 contained in this annual report. Through December 31, 2007, Nokia reported on the following three device business segments: Mobile Phones, Multimedia and Enterprise Solutions. Until March 31, 2007, we also reported on a networks business segment, which was replaced from April 1, 2007 by Nokia Siemens Networks.

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

Other

We primarily invest in research and development, marketing and building the Nokia brand. However, over the past few years we have increased our investment in services and software by acquiring a number of companies with specific technology assets. We expect the amount of capital expenditure (excluding acquisitions) during 2008 to be approximately EUR 900 million, and to be funded from our cash flow from operations. During 2007, our capital expenditures (excluding acquisitions) totaled EUR 715 million, compared with EUR 650 million in 2006. For further information regarding capital expenditures see Item 5.A Operating Results and for a description of capital expenditures by business segment see Note 2 to our consolidated financial statements included in Item 18 of this annual report.

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

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

4.B Business Overview

Strategy

We seek to grow, transform and build the Nokia business based on our business strategies and strategic capabilities.

Our business strategies reflect the primary focus of each of Nokia s business areas as follows:

Lead and win in mobile devices

Grow consumer Internet services

Accelerate adoption of business solutions

Leverage scale and transform to solutions in infrastructure

Our strategic capabilities are the priority areas where we are investing with the aim of gaining a competitive advantage. The following capabilities can be shared among our several business areas:

Consumer understanding

Brand

Technology and architecture

Channels and supply chain

Mobile Devices

Devices

The mobile communications industry has evolved rapidly during the past 15 to 20 years. While today mobile devices are still used primarily for voice and text message communication, people increasingly also use them to take and send pictures, listen to music, record video, watch TV, play games, surf the Internet, check e-mail, navigate, manage their schedules, browse and create documents, and more. This trend where mobile devices increasingly support the features of single-purposed product categories such as music players, cameras, pocketable computers and gaming consoles is often referred to as digital convergence. Multifunctional mobile devices, which are often called converged devices, smartphones, or multimedia computers, typically feature computer-like and consumer electronics-like hardware and software.

A person s choice of mobile device is influenced by a number of factors, including their purchasing power, brand awareness, technological skills, fashion consciousness and lifestyle. The global market for mobile devices is comprised of many different consumer groups and markets with different characteristics, dynamics and stages of development. We believe that in order to meet our customers needs, we need to have a broad and balanced offering of commercially appealing mobile devices with attractive aesthetics, design and combination of value-adding functionalities and services for all major consumer segments and price points designed, as appropriate, for the local requirements of different markets. Our device and services portfolio is supported by the Nokia brand, including the Nokia Nseries, the Nokia Eseries and Vertu sub-brands, as well as by the quality of our products and our competitive cost structure.

In 2007, Nokia mobile devices were produced by our Mobile Phones and Multimedia business groups, as well as by the Mobile Devices unit of our Enterprise Solutions business group.

Our total mobile device volume for 2007 was 437 million units, representing growth of 26% compared with 2006. Based on an estimated global market volume for mobile devices of 1.14 billion units for 2007, our estimated full-year global market share was 38%, compared with an estimated 36% for 2006. This further strengthened our leadership of the global device market a position Nokia has held since 1998.

Nokia devices are primarily based on the GSM/EDGE, 3G/WCDMA and CDMA global cellular standards, and also increasingly feature non-cellular technologies such as Bluetooth, WLAN and GPS. Our higher-end converged devices, such as those in the Nokia Nseries and Nokia Eseries, typically offer the functionalities of many portable single-purpose devices such as megapixel cameras, music players, computers, gaming consoles and navigation devices in a single, converged device. In 2007, we shipped a total of 60.5 million converged devices.

Services & Software

Over the past few years we have increased our research and development efforts in services and software. This area continued to be primarily in an investment phase in 2007, and we anticipate this will continue to be the case for 2008 and 2009. Some incremental net sales were generated and reported in 2007 as part of our devices business.

By the end of 2007, we had started to offer initial services and software in the areas of advertising, business, entertainment, navigation, and social communities, including:

Nokia Ad Business: solutions allowing advertisers to reach their audiences through mobile devices.

Nokia Intellisync E-mail: a cost-effective solution for wireless e-mail that functions on a broad range of mobile devices from Nokia and other manufacturers.

Nokia Music Store: users can browse, download and stream tracks from both international and local artists on major and independent labels. Tracks can also be downloaded directly to a mobile device over the air, and track listings can be synchronized between a PC and a mobile device. The Nokia Music Store went live in the United Kingdom in November 2007 and will go live in certain other markets during 2008.

Nokia Maps: offers search, routing, city guides and turn-by-turn voice-guided navigation on a mobile device.

Nokia Internet communities such as WidSets, which allows people to create, publish, enjoy and share their favorite Internet content on their mobile phones; and MOSH, which allows developers to publish applications and other content for any mobile device.

With progressively more of our devices featuring advanced multimedia-type capabilities, we see new business opportunities to increase our offering of consumer Internet services and to deliver these services in an easily accessible manner to a market that we estimate will be worth approximately 100 billion euros in 2010. Our strategy in competing in this market is for Nokia s Internet services to support our device average selling price, extend and enhance the Nokia brand, generate incremental net sales and profit streams, and create value and choice for consumers. Our overall longer-term goal is to become the global leader in Internet on mobile .

Ovi

In 2007, we introduced Ovi, our Internet services brand. Ovi.com will be designed to enable people to easily access their existing social network, communities and content, as well as gain access to services from Nokia and other service providers through a single access point. Our plan is for people to be able to combine Ovi services as they want to, customize their view and experience of Ovi, and use the service to store their photos and videos online. By integrating our individual services under the Ovi brand, we aim to simplify the consumer experience and differentiate ourselves from competitors in the Internet services market.

Openness is at the core of our Internet services strategy and the Ovi services environment. Thus, we are providing open application programming interfaces, or APIs , to the Ovi environment, and we plan to use other online communities APIs to enable people to link their various services to Ovi as they wish. With this, we intend for Ovi users to be able to access services and social networks that are not necessarily created by Nokia.

In line with our belief in the co-existence of Nokia and operator services in our devices, we are partnering with mobile operators in Ovi services. In 2007, Vodafone, Telefonicá and TIM became the first operators to announce cooperation agreements with Nokia around Ovi services. As part of these cooperation agreements, we aim to customize our device user interface to ensure easy access to services from both the operator and from Nokia. In February 2008, we also signed a memorandum of understanding with operator Orange in order to partner on value-added services such as location based services, maps, mobile advertising and gaming.

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Acquisitions

During the past few years, we have made a number of strategic acquisitions to bring us the knowledge and technology that we believe we need to compete effectively in consumer Internet services and enterprise solutions and software:

In February 2006, we acquired Intellisync, a leading provider of software that enables operators to provide mobile device management services to enterprise customers and allows companies to self-manage their mobile devices.

In October 2006, we acquired Loudeye, a global leader in digital music platforms and digital media distribution services; and gate5, a leading supplier of mapping, routing and navigation software and services.

In July 2007, we acquired Twango, which provides a comprehensive media sharing solution for organizing and sharing photos, videos and other personal media. By acquiring Twango, Nokia will be able to offer people an easy way to share multimedia content through their desktop and mobile devices.

In October 2007, we acquired Enpocket, a global leader in mobile advertising with technology and services for planning, creating, executing, measuring and optimizing mobile advertising campaigns.

Also in October 2007, Nokia and NAVTEQ announced a definitive agreement for Nokia to acquire NAVTEQ, a leading provider of comprehensive digital map information for automotive navigation systems, mobile navigation devices, Internet-based mapping applications, and government and business solutions. The NAVTEQ acquisition is still pending and subject to customary closing conditions, including regulatory approvals. By acquiring NAVTEQ, we aim to ensure the continued development of our context and geographical services through Nokia Maps as we move from simple navigation to a broader range of location-based services, such as pedestrian navigation and targeted advertising.

In December 2007, we acquired Avvenu, a company providing secure remote access and private sharing technology that allows users to access and view PC files remotely.

Partnering

In December 2007, we announced Nokia Comes With Music, a program that will enable people to buy a Nokia device with access to millions of tracks from a range of artists. Nokia Comes With Music is expected to become commercially available in the second half of 2008.

Through December 31, 2007, Nokia reported on the following three device business segments: Mobile Phones, Multimedia and Enterprise Solutions, each of which is described below. As of January 1, 2008, these three segments have been replaced by an integrated business segment: Devices & Services. For a description of our organizational structure, see Item 4A History and Development of the Company Organizational structure.

Mobile Phones

Mobile Phones provides voice and data capabilities across a wide range of mobile devices. We primarily target high-volume sales of mainstream mobile devices where we believe that design, brand, ease of use and price are our customers most important considerations. Increasingly, our products include new features with mass market appeal, such as megapixel cameras, music players and navigation functionality.

Mobile Phones has five business units: *Entry, Broad Appeal, Lifestyle Products, CDMA* and *Vertu.*

Entry addresses markets where there has been and we believe there continues to be significant potential for growth. Our aim is to provide affordable mobile phones while cooperating with local mobile operators to offer solutions designed for a low total cost of ownership. Entry devices, which are in the Nokia 1000 and 2000 product families, have voice capability, basic messaging and calendar features, and, increasingly, color displays, radios, basic cameras and Bluetooth functionality. Highlights from 2007 included:

The announcement and shipments of seven devices with functions and features specially designed for consumers in emerging markets: Nokia 1200, Nokia 1208, Nokia 1650, Nokia 2505, Nokia 2630, Nokia 2660 and Nokia 2760.

Broad Appeal focuses on the Nokia 3000 and 6000 families of mid-range products where the balance between price, functionality and style is key. Broad Appeal devices typically have mainstream features, including megapixel cameras, music players and navigation functionality. Highlights from 2007 included:

Shipments of the slim and stylish Nokia 6300 GSM device, announced in late 2006.

The announcement of the Nokia 3110 Evolve, a mobile device with bio-covers made from more than 50% renewable material.

The announcement and shipments of the Nokia 6110 Navigator, an HSDPA device with GPS and AGPS.

The announcement and shipments of the Nokia 6500 classic, a thin 3G phone with a sleek design; and the Nokia 6120 classic, Nokia s smallest 3G device.

The announcement and shipments of the Nokia 6555, the first phone with a unique smooth-back fold design. In the US, the Nokia 6555 is exclusively available from AT&T.

The announcement and shipments of the Nokia 6263 device for the US market, complete with e-mail capability and support for attachments, a 1.3 megapixel camera, video recorder and music player.

Lifestyle Products concentrates on devices with distinct designs and features targeted at specified fashion and music-driven consumer segments. These devices are in the Nokia 5000, 7000 and 8000 product families. Highlights from 2007 included:

The announcement of a new music range with first shipments of the Nokia 5610 XpressMusic and the Nokia 5310 XpressMusic.

The announcement and shipments of the Nokia 7900 Prism and the Nokia 7500 Prism. The Prism collection features a diamond-cut design with sharp angled lines, geometric patterns and graphic light-refracting colors.

The announcement and shipments of the Nokia 8800 Arte and the announcement of the Nokia 8800 Sapphire Arte, bringing 3G to the highly acclaimed Nokia 8800 series.

CDMA works together with co-development partners to support operators that use CDMA technology, with a particular focus on the United States. Nokia s own CDMA research, development and production ceased from April 2007. Highlights in 2007 included:

The announcement and shipments of the Nokia 2505, a sleek fold-style CDMA phone; the Nokia 7088, the first CDMA model in the popular L Amour Collection; and the Nokia 2135, a compact device with a contemporary design and solid basic features.

Vertu has pioneered and leads the luxury mobile phones sector. In 2007, Vertu products were sold in approximately 50 countries at approximately 410 points of sale. Highlights from 2007 included:

The Vertu Ascent Ferrari 1947 Limited Edition. Each piece is individually given a serial number from 1 to 1947, paying homage to the year the first Ferrari car was built. The Vertu Ascent

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Ferrari 1960 Limited Edition was also announced, with serial numbers from 01 to 060, to celebrate Ferrari s 60th anniversary.

The next generation of Vertu Ascent handsets: The Vertu Ascent Ti collection, handcrafted from Titanium, and available in red, brown and black.

Vertu Signature announcements: Vertu Signature Yellow & White Diamonds; Vertu Signature Black & White Diamonds; Vertu Signature Rose Gold Pink Diamonds; and Vertu Signature Rose Gold Pink Sapphires.

The Vertu Constellation Burgundy and the Vertu Constellation Mixed Metals.

Multimedia

The Multimedia business group gives people the ability to create, access, experience and share multimedia in the form of advanced multimedia computers and applications with connectivity over multiple technology standards. Multimedia aims to take advantage of device convergence by capturing value from traditional single-purposed product categories including music players, cameras, pocketable computers, gaming consoles and navigation devices by bringing combinations of their various functionalities into Nokia devices. An integral part of our strategy is for our multimedia computers to be the devices of choice for people participating in the Web 2.0 phenomenon, where people can create and share their experiences through online communities.

In 2007, we continued to build the Nokia Nseries sub-brand and multimedia computer category by bringing new products and applications to market. Nokia Nseries multimedia computers offer consumers the ability to record video and still pictures, print-quality images, watch TV, listen to music, access the web and e-mail, use mapping services and make phone calls. In addition to supporting 3G/WCDMA connectivity, certain Nokia Nseries multimedia computers also feature non-cellular connectivity, including WLAN, FM radio, Digital Video Broadcasting-Handheld (DVB-H), GPS and Bluetooth.

Multimedia highlights from 2007 included:

Multimedia continued to build the Nokia Nseries sub-brand and multimedia computer product category, and developed and brought to market Nokia s first Internet services, such as Nokia Maps and the Nokia Music Store.

Key volume devices for 2007 included the Nokia N95, and Nokia s flagship products for technology enthusiasts, the Nokia N70 and the Nokia N73. We shipped approximately 38 million Nokia Nseries devices in 2007.

Important new products launched and shipping included the Nokia N95 8GB, which follows on from the success of the original Nokia N95 with a larger display, enhanced usage times and 8 gigabytes memory capacity; the Nokia N81, an entertainment focused multimedia computer; and the Nokia N82, a multimedia computer optimized for photography, navigation and Internet connectivity.

Multimedia also announced and started shipments of the Nokia N810 Internet Tablet with slide-out keyboard, built-in GPS, digital audio/video playback and WLAN capability for VoIP calling.

Multimedia has two main entities responsible for the development of its products and related experiences: Multimedia Computers and Multimedia Experiences. In addition, Multimedia has one business program, Convergence Products.

Multimedia Computers focuses on managing, delivering and expanding the Nokia Nseries multimedia computer portfolio, as well as developing accessory products and car communications solutions.

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Multimedia Experiences develops multimedia applications and solutions in the following areas:

Imaging: We are developing photo and video applications for Nokia Nseries multimedia computers that allow easy capturing, editing, printing, sharing and storing of photos and video.

Music: We are developing the complete Nokia music experience, which includes the Nokia Music Store and other applications and features that allow people to discover, purchase, enjoy, create and manage music on their Nokia Nseries devices and personal computers.

Internet and computing: We are developing applications for Nokia Nseries multimedia computers in the areas of Internet services, software additions and personal organizers.

TV and video: We are developing applications for the DVB-H standard, as well as applications that allow easy downloading and streaming of Internet-based video.

Games: We are developing the N-Gage platform and N-Gage Arena gaming community, as well as the Nokia SNAP mobile gaming platform, to support a broader population of Java-based mobile phones.

Navigation and search: We are developing search, maps and other location-based applications.

Convergence Products develops and drives products based on the Linux Maemo platform that are optimized for Internet communications. With the launch of the Nokia N810 Internet Tablet in October 2007, we have moved to the third generation of the Internet Tablet product category, targeted at broader consumer segments.

Enterprise Solutions

Enterprise Solutions drives the adoption of business mobility by addressing the needs of business managers, users and IT departments. Enterprise Solutions offers businesses and institutions a broad range of products and solutions, including enterprise-grade mobile devices, underlying security infrastructure, software and services. Enterprise Solutions collaborates with a range of companies to provide fixed IP network security, mobilize corporate e-mail and other IT applications and extend corporate telephony systems to Nokia s mobile devices through our Mobile Unified Communications strategy.

Enterprise Solutions highlights from 2007 included:

Four new Nokia Eseries business devices were announced and started shipping: Nokia E90 Communicator, Nokia E61i, Nokia E65 and Nokia E51. The four dual-mode devices, capable of utilizing both cellular and Wi-Fi networks, are designed to offer faster and better quality access to important business information and processes over wireless technologies.

The Nokia Eseries became available in the United States through complementary channels, including Ingram Micro and Dell.com, for businesses and consumers.

Nokia Call Connect for Cisco became commercially available, allowing businesses to route calls through corporate PBXs instead of cellular networks, with the aim of realizing significant cost savings and improved worker flexibility, collaboration and productivity.

Nokia Intellisync Mobile Suite 8.0 was launched. This comprehensive platform of wireless e-mail, file synchronization and application synchronization features is designed to bring flexibility and cost-control.

New device management features for Nokia Intellisync Mobile Suite were announced, including wider device support, remote control, improved theft-loss protection and hardware control.

The Nokia Intellisync Mobile Suite customer base was expanded to include more than 40 operators around the globe by December 31, 2007, with more than 3.7 million user licenses signed.

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Three new IP security appliances were launched: Nokia IP290, Nokia IP690 and Nokia IP2450. The appliances are based on a scalable new hardware platform design aimed at offering better IT investment protection and a greater choice of security software applications to address emerging threats to company networks and data.

Nokia announced collaboration with Check Point and Intel aimed at improving enterprise security by delivering new security appliances that inspect network traffic in multi-gigabit environments. The Nokia IP2450 security platform was the first product announced as part of this collaboration.

The first Accelerated Data Path (ADP) Service Modules were delivered, as was the latest version of the Nokia IPSO operating system IPSO 6.0 aimed at allowing customers to expand the performance of their Nokia IP Security appliances.

The new Nokia for Business Channel Program came to market in January 2007 and more than 500 accredited partners joined during the year. In October 2007, we announced plans to expand the program to include operators and independent software vendors.

Enterprise Solutions has four business units: *Mobile Devices; Mobility Solutions; Security and Mobile Connectivity;* and *Sales, Marketing and Services.*

Mobile Devices produces Nokia Eseries mobile devices specifically for business use that address companies security, manageability, cost and ease-of-use concerns. The Nokia Eseries portfolio includes the Nokia E50, Nokia E51, Nokia E60, Nokia E61, Nokia E61i, Nokia E62, Nokia E65, Nokia E70, and Nokia E90 Communicator, as well as the Nokia 9300 and Nokia 9500.

Nokia Eseries devices typically feature both cellular connectivity, such as GSM and 3G/WCDMA, and non-cellular connectivity, such as WLAN. They also support network connectivity, personal information management, e-mail and corporate telephony (PBX) system access, device management and security solutions, as well as Nokia Intellisync Wireless E-mail and third party software such as BlackBerry Connect, Mail for Exchange and Visto Mobile mail.

Mobility Solutions develops software solutions for mobile e-mail, device management and other mobile data services. One of our key products, Nokia Intellisync Wireless E-mail, supports a wide range of device platforms, including Symbian, Palm, BREW and Windows Mobile, and is compatible with a wide range of e-mail servers and groupware applications, including Microsoft Exchange, IBM Lotus Domino, IMAP and POP3.

We also work with external vendors such as IBM, Microsoft, Research in Motion, Seven and Visto to make Nokia s mobile devices compatible with their solutions.

Security and Mobile Connectivity offers a full range of security appliances and associated software and peripheral offerings designed to help companies grant their employees access to corporate information and establish secure remote connections between their corporate network, their offices and their employees mobile devices and computers. Offerings consist primarily of firewall gateways and software-based tools that operate with both Nokia and non-Nokia devices, as well as with existing IT infrastructures.

Nokia s security appliances run software from Checkpoint Corporation and SourceFire. Nokia and Checkpoint have common distributors, integrators and Value Added Resellers, or VARs, that integrate Nokia gateways with Checkpoint software for customers. We also provide end-user and reseller support for these security products. In addition, we work with leading vendors like Alcatel-Lucent, Avaya and Cisco to connect our mobile devices to corporate fixed line telephone networks, or PBXs, over cellular and WLAN technologies.

Sales, Marketing and Services is responsible for sales to business users and corporate customers; the management of relationships with IT distributors, systems integrators and VARs through the Nokia for Business Channel Program; and specialized sales resources for selling Enterprise Solutions products to operator customers. We manage the Enterprise Solutions services business, which includes support services for corporate customers and resellers, as well as professional services to help corporate customers with more complex mobility solutions.

Sales and Marketing Devices

Sales

The Customer and Market Operations horizontal group is responsible for the sales of Nokia mobile devices from the Mobile Phones, Multimedia and Enterprise Solutions business groups. Most of Nokia s mobile device business derives from sales to operators, distributors, independent retailers, corporate customers and consumers. However, the percentage of our total device volume that goes through each channel varies by region. In 2007, distributors accounted for approximately 90% of our device volumes in the Asia-Pacific region, approximately 90% in the Middle East & Africa and approximately 75% in China. In Europe, distributors and operators each accounted for approximately 40% of our volumes during 2007. And in Latin America and North America, operators accounted for more than 80% of our 2007 volumes in each region.

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

We also have specialized sales channels for certain device business groups in order to reach customers in segments where we are introducing mobility. Each of these channels is specific to, and managed by, an individual device business group. For example, Enterprise Solutions manages sales of its products and solutions to certain resellers or systems integrators who contribute value, such as consulting services or additional software, before distribution.

Marketing

The Business Week and Interbrand annual rating of 2007 Best Global Brands positioned Nokia as the fifth most-valued brand in the world, up from sixth place in 2006. Other highlights from 2007 included:

- We continued to build the Nokia Nseries and Nokia Eseries sub-brands with important campaigns for the Nokia N95, Nokia N95 8GB and N81 multimedia computers, as well as for the Nokia E90 Communicator and Nokia E65 business-focused devices.

- As part of our retail activities, we opened a new Flagship Store in Shanghai during 2007. We also opened a flagship store in London during February 2008, bringing the total number of Flagship Stores to eight. Our Flagship Stores sell a wide range of Nokia products and provide a Nokia-branded experience directly to consumers in some of the world s major cities.

- We increased our digital marketing efforts by building electronic marketing campaigns that engage consumers within social networks, both online and on mobile devices. This type of social media engagement has enabled a continuous dialogue with consumers who are at the forefront of the social web phenomenon.

- During 2007, we began implementing an eight-step program designed to increase consumer retention and loyalty. The eight focus areas cover both Nokia s consumer value proposition in terms of the portfolio of products and services we offer and the delivery of the value proposition to the consumers in terms of our sales and marketing activities with distribution channel partners.

Production Devices

The Customer and Market Operations horizontal group is responsible for production and logistics for devices from Mobile Phones, Multimedia and Enterprise Solutions, including management of the mobile device factories. The Customer and Market Operations horizontal group is also responsible for process development in the demand-supply network.

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Nokia operated ten manufacturing facilities in nine countries around the world as of December 31, 2007, for the production of mobile devices. Our Mexican and Brazilian plants primarily supply the North and South American markets; our three European plants, located in Finland, Germany and Hungary, principally supply Europe and the Middle East & Africa; and our two plants in China, our plant in India and our plant in South Korea principally supply China and the Asia-Pacific market. In addition, we have a manufacturing plant in the United Kingdom serving Vertu.

Each of our plants employs state-of-the-art technology and is highly automated. During 2007, we made a significant capital investment in order to increase our production capacity, including opening a plant in Chennai, India. In March 2007, we announced plans to set up a new mobile device manufacturing plant in Romania, where production started in February 2008.

We continually assess the efficiency and competitiveness of our manufacturing facilities. As a result, in January 2008, we announced plans to discontinue the production of mobile devices in Germany and to close our Bochum site there by mid-2008. We plan to move the production from the Bochum site to our other, more cost-competitive sites in Europe.

In July 2007, our Operations & Logistics organization introduced a new operational mode, moving from a model based around three time zones to a model made up of four global units. This new operational mode is aimed at strengthening customer logistics and further improving the economies of scale in our operations. We believe that it positions us even better to respond rapidly to the needs of different geographic markets and to take advantage of the flexibility of our global manufacturing network.

Our mobile device manufacturing and logistics which we consider to be a core competence and competitive advantage are complex, require advanced and costly equipment and involve outsourcing to third parties. During 2007, outsourcing covered approximately 20% of our manufacturing volume of mobile device engines, which include the hardware and software that enable the basic operation of a mobile device.

In line with industry practice, we source our components for our mobile devices from a global network of suppliers. These components include electronic components, such as chipsets, integrated circuits, microprocessors, memory devices, cameras, displays, batteries and chargers, and mechanical components, such as covers, connectors, key mats and antennas. Our products also incorporate software provided by third parties. We and our contract manufacturers assemble components and activate devices with our own and third-party software. Final assembly typically takes place only for firm customer orders.

Certain of the components we source may experience some price volatility from time to time. Management believes that our business relationships with our suppliers are stable, and they typically involve a high degree of cooperation in research and development, product design and manufacturing. See Item 3.D Risk Factors We depend on a limited number of suppliers for the timely delivery of sufficient amounts of fully functional components and sub-assemblies and for their compliance with our supplier requirements, such as our and our customers product quality, safety, security and other standards. Their failure to do so could materially adversely affect our ability to deliver our products, services and solutions successfully and on time.

Overall, we aim to manage our inventories to ensure that production meets demand for our products, while minimizing inventory-carrying costs. The inventory level we maintain is a function of a number of factors, including estimates of demand for each product category, product price levels, the availability of raw materials, supply-chain integration with suppliers and the rate of technological change. From time to time, our inventory levels may differ from actual requirements. See Item 3.D Risk Factors Our sales and results of operations could be materially adversely affected if we fail to efficiently manage our manufacturing and logistics without interruption, or fail to ensure that our products, services and solutions meet our and our customers quality, safety, security and other requirements and are delivered on time and in sufficient volumes.

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Design Devices

We take a human approach to designing mobile devices, with the goal of creating stylish products that work just the way people like them to. This ethos is central to our design work and brand.

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

We have a multi-disciplinary design team of approximately 300 psychologists, researchers, anthropologists and technology specialists representing more than 30 different nationalities. Based in China, Europe, Latin America, Japan, India, the US and elsewhere, the team conducts in-depth research and analysis of consumer trends and behavior, as well as studies new technologies, materials, shapes and styles.

Technology, Research and Development Devices

Our devices business research and development takes place within the Technology Platforms horizontal group and within the three device business groups. Our technology strategy for our devices business is also supported by the Nokia Research Center and other Nokia-wide horizontal units under the leadership of Nokia s Chief Technology Officer.

Technology Platforms

Technology Platforms is responsible for the competitiveness of Nokia technology assets for our devices business. It supports our overall technology management and development by delivering leading technologies and platforms to our device business groups as well as to external customers. Technology Platforms achieves this through deployment of our own R&D resources, as well as close cooperation with leading software and technology companies.

The two major areas in our technology development are chipset platforms and software.

Chipset platforms

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

In August 2007, we announced that we were revising our chipset strategy and introducing a multisourcing model for our chipsets. Until then, our chipset R&D and design work had mainly been carried out in-house, while chipset manufacturing had been concentrated with one external supplier. Under the revised strategy, we have discontinued parts of our own chipset R&D and have expanded our use of commercially available chipsets. We are now working with four chipset suppliers: Texas Instruments continues to be a broad-scope supplier across all product tiers; in addition, Infineon Technologies is a supplier at the entry level; Broadcom in the mid-range; and STMicroelectronics at the high-end.

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

The revised chipset strategy is aimed at increasing the efficiency of our research and development efforts by allowing Nokia to leverage external innovation through working with the best partner in a specific chipset development area, and by freeing our own R&D resources to focus on our core competencies in modem development and other areas central to Nokia s growth strategy, such as

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consumer Internet services and enterprise software. We also believe this strategy will foster beneficial competition in the chipset industry.

Software

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

The software platforms that Nokia deploys Series 30, Series 40, S60 on Symbian OS and Maemo allow us to balance usability, features and cost in a flexible manner. We provide mobile devices for a wide range of market segments, price points and user groups, and by having different software platforms we are able to choose the right one for each Nokia device.

S60 on Symbian OS, which we use in our own devices and license to other device manufacturers, is the world s leading smartphone software platform. In 2007, we announced plans to expand the S60 user interface to support touch screen functionality, introduce general support for sensor technologies and provide new tools for manufacturers to create S60 applications.

Cross-platform development environments, or layers of software that run across different device operating systems, are key to our software strategy. These layers enable developers with experience in a variety of software environments to create applications for the mobile market. Nokia s own application development work focuses on software for servers, personal computers and mobile devices that enable the delivery of Internet services on a variety of platforms.

We also actively participate in the open source community, aiming to innovate and leverage on existing work and share knowledge. We are a member of the Linux Foundation, the Advisory Board to the GNOME Foundation, and a Corporate Patron to the Free Software Foundation. Through these and other activities we contribute to the healthiness of the open source environment. In 2007, we participated in one of the discussion committees for the creation of the new version of the GNU General Public License, a project by the Free Software Foundation to provide a freely distributable replacement for Unix.

Research and Development

Each of our mobile device business groups takes into account its own customer segment needs in its own product-focused research and development. The groups products, services and solutions feature technologies from their own research and development, from Technology Platforms and from external vendors.

Our devices business groups seek to improve research and development efficiency and time to market by often basing their products on the same platforms and technology modules. For example, Mobile Phones, Multimedia and Enterprise Solutions all develop devices based on S60, on top of which they develop applications specific to their business. Multimedia develops mobile music, imaging and video applications for S60, while the Enterprise Solutions business group offers a variety of e-mail solutions as well as other Internet based services that run on S60. In addition, all Nokia device business groups aim to maximize the use of common technology modules developed by Technology Platforms, often in cooperation with our suppliers. Examples of common technology modules are chipsets, modems, camera modules and memory modules. This brings economies of scale and allows flexibility both in research and development, and in the management of demand and supply networks.

Nokia Research Center

Looking beyond the development of current products, platforms and technologies, our corporate research center creates assets and competencies in technology areas that we believe will be vital to our future success. Almost half of Nokia s essential patents are generated by the Nokia Research Center, which works closely with our three devices business groups, Nokia Siemens Networks and Technology Platforms.

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Our global network of relationships with universities and other industry research and development parties expands the scope of our long-term technology development. Highlights from 2007 included the establishment of a new Nokia Research Center site in Cambridge, UK, together with collaboration with the University of Cambridge; the establishment of the Nokia Innovation Center in Tampere, Finland, together with collaboration with the Tampere University of Technology; and collaborations with the Helsinki University of Technology, Finland, and Tsinghua University, China.

Patents and Licenses Devices

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

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

We have built our IPR portfolio since the early 1990s, investing over EUR 30 billion in research and development, and we now own more than 11 000 patent families. As a leading innovator in the wireless space, we have built what we believe to be one of the strongest and broadest patent portfolios in the industry, extending across all major cellular and mobile communications standards, data applications, user interface features and functions and many other areas. We receive royalties from certain handset and other vendors under our patent portfolio.

We are a world leader in the development of the wireless technologies of GSM/EDGE, 3G/WCDMA, HSPA, OFDM, WiMax, LTE and TD-SCDMA, and we have a robust patent portfolio in all of those technology areas, as well as for CDMA2000. We believe our standards-related essential patent portfolio is one of the strongest in the industry. In GSM, we have declared close to 300 GSM essential patents with a particular stronghold in codec technologies and in mobile packet data. Our major contribution to WCDMA development is demonstrated by approximately 360 essential patent declarations to date. The number of essential patents is expected to increase further due to the rapid development of higher data rate technologies, an area where we are a particularly strong contributor.

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

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

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

From time to time we are subject to patent infringement claims from third parties. We believe that, based on industry practice and applicable legal obligations, any necessary licenses or rights under patents that we may require can be agreed upon on terms that would not have a material adverse effect on our business, results of operations or financial condition. Nevertheless, in some situations, necessary licenses may not be available on acceptable commercial terms, if at all. The inability to obtain necessary licenses on agreed upon terms or other rights, or the need to engage in litigation, could have a material adverse effect on our business, results of operations and financial condition.

See Item 3.D Risk Factors We must develop or otherwise acquire complex, evolving technologies to use in our business. If we fail to develop or otherwise acquire these complex technologies as required by the market, with full rights needed to use in our business, or to protect them, or to successfully commercialize such technologies as new advanced products, services and solutions that meet customer demand, or fail to do so on a timely basis, this may have a material adverse effect on our business and results of operations. See also Item 3.D Risk Factors Our products, services and solutions include increasingly complex technologies some of which have been developed by us or licensed to us by certain third parties. As a consequence, evaluating the rights related to the technologies we use or intend to use is more and more challenging, and we expect increasingly to face claims that we have infringed third parties intellectual property rights. The use of these technologies may also result in increased licensing costs for us, restrictions on our ability to use certain technologies in our products, services and solution offerings, and/or costly and time-consuming litigation, which could have a material adverse effect on our business and results of operations and Item 3.D Risk Factors Our products, services and solutions include numerous new Nokia and Nokia Siemens Networks patented, standardized, or proprietary technologies on which we depend. Third parties may use without a license or unlawfully infringe our intellectual property or commence actions seeking to establish the invalidity of the intellectual property rights of these technologies. This may have a material adverse effect on our business and results of operations.

Competition Devices

Mobile device market participants compete with each other mainly on the basis of the breadth and depth of their product and services portfolio, design, price, operational and manufacturing efficiency, technical performance, distribution, quality, customer support and brand.

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

Historically, our principal competitors in mobile devices have been other mobile device manufacturers such as LG, Motorola, Samsung and Sony Ericsson. In addition, mobile network operators are increasingly offering mobile phones under their own brand, which increases competition from non-branded mobile device manufacturers. We also face competition from smaller mobile device manufacturers, such as ZTE, in certain markets.

As a result of developments in our industry, including the convergence of mobile device technology with the Internet, we also face new competition from companies in related industries, such as Internet-based products and services, consumer electronics manufacturers, network operators and business device and solution providers, some of which have more scale and experience and a stronger market presence in certain market segments, such as Internet services. In addition, new companies, primarily consumer electronics manufacturers, are entering the mobile device business. These competitors include, but are not limited to Apple, Garmin, Google, Palm, Research in Motion, Sony and TomTom. Further, some of our traditional competitors have also expanded into the areas of Internet services and enterprise software, and mobile network operators are also seeking to provide services to consumers for their own branded devices, including both Nokia devices and devices from other manufacturers.

Further, as the industry now includes increasing numbers of participants that provide specific hardware and software layers within products and solutions, we face competition at the level of these layers rather than solely at the level of complete products and solutions. An example of such a layer is operating system software, with competitors including, but not limited to, Apple, Google, HP, Microsoft, Palm and Research in Motion.

The industry is increasingly complex and challenging, and is driving a continuing trend towards various types of consolidation among industry participants. However, it is difficult to predict how the competitive landscape of the mobile device industry will develop in the future, as the parameters of competition are less firmly established than in mature, low-growth industries where the competitive landscape does not change greatly from year to year.

See Item 3.D Risk Factors Competition in our industry is intense. Our failure to maintain or improve our market position or respond successfully to changes in the competitive landscape may have a material adverse effect on our business and results of operations.

Nokia Siemens Networks

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

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

In 2007, Nokia Siemens Networks started implementing a strategy aimed at moving the company towards a solutions-driven approach for its customers. This approach focuses on the specific business needs of an operator and the day-to-day running of its networks, rather than on solely providing network equipment. As global mobile subscriptions increase and data traffic rises, operators are increasingly focused on marketing and differentiating their service offering, rather than on traditional areas such as billing. This provides new business opportunities for Nokia Siemens Network with its solutions-driven approach to its operator customers.

At December 31, 2007, Nokia Siemens Networks had approximately 58 500 employees, 1 400 customers in 150 countries, and systems serving in excess of one billion subscribers. Highlights from 2007 included:

The new company defined its values and introduced ethics and integrity guidelines, as well as a compliance program, for all its employees.

Nokia Siemens Networks showed its commitment to emerging markets with the expansion of R&D capacity in Chengdu, China and the investment of USD 100 million to strengthen operations in India. The company also moved its Services business unit to India.

Deals signed in India included a USD 500 million network expansion contract with Idea Cellular and a USD 900 million end-to-end network expansion with Bharti Airtel; and in China a EUR 180 million GSM/EDGE deal with Henan MCC.

Nokia Siemens Networks won a deal with Sprint Nextel to become an infrastructure provider for its 4G WiMAX network; won the first commercial deployment for its I-HSPA solution with TerreStar; won a trial deal with Verizon for LTE; and was chosen together with Panasonic by NTT DoCoMo in Japan for its super 3G (LTE) base station project.

Nokia Siemens Networks demonstrated the world s first multi-user field trial in an urban environment using LTE technology, which delivers data rates up to 10 times the current level. Nokia Siemens Networks also became the first company to successfully deploy hybrid backhaul in a live network, aimed at allowing operators to reduce costs while boosting capacity.

The company signed a cooperation agreement with Intel in IPTV; and launched a new 3G Femto Home Access solution and then struck Femto cooperation deals with Airvana Inc. and Thomson.

Nokia Siemens Networks announced an energy efficiency solution designed to lower customers energy consumption and operating expenses.

Nokia Siemens Networks reached a USD 935 million agreement on supplying 2G and 3G network equipment to Zain in Saudi Arabia.

Nokia Siemens Networks Business Units

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

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

Converged Core develops core network solutions for mobile and fixed network operators. The main products are switches, different kinds of network servers and media gateways. Nokia Siemens Networks circuit-switched network solutions are aimed at helping operators reduce the cost of providing voice minutes to subscribers. Its packet-switched and Internet Protocol-based core network solutions bring new functionality to the networks and are designed to enable operators to more efficiently offer advanced services such as Voice over IP, or VoIP, calls; video sharing; IPTV; Presence;

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Internet access; and other IP-based services. Many of Nokia Siemens Networks core network products are used in both fixed and mobile networks as part of so-called fixed-mobile convergence.

IP Transport focuses on transport networks, which are the underlying infrastructure for all fixed and mobile networks. Consumer applications, the growth of the Internet and new services have resulted in strong growth in bandwidth demand over these networks. IP Transport provides key elements for high-speed next generation network connectivity including transmission systems for dense wavelength division multiplexers, or DWDM; and synchronous digital hierarchy, or SDH; IP routers; carrier ethernet switches; and microwave radio equipment.

Operations and Business Software provides operations and business support systems software. Operations support systems seek to improve the operational efficiency of operators and reduce network complexity, while business support systems let operators differentiate themselves from the competition by enabling flexible pricing and charging of services and calling plans. Operations and Business Software has five business lines:

Element Operations ensures that equipment within the network is maintained efficiently

Network Management integrates the management of multiple network technologies

Service Management automates the customer management of the operator and ensures end-users receive high-quality services

Middleware provides a common software layer within the operator s network

Business Support Systems provides prepaid, charging and care solutions

Broadband Access produces digital subscriber line access multiplexers, passive optical network and narrowband/multi-service equipment, as well as access switches for the fixed-line telecommunications industry. The business unit aims to provide cost-efficient high bandwidth for access networks, enabling high quality triple play services such as high-speed Internet, VoIP and IPTV. It has a comprehensive portfolio of fiber and copper line access equipment.

Services offers operators a broad range of operation services, from consultancy to outsourced operations; systems integration to hosting; and from network design to full turnkey solutions including network care. Services has the capability to integrate software from virtually all vendors, helping operators and service providers to achieve a higher quality of service with lower operating and capital expenditure.

Compliance Program Nokia Siemens Networks

Due to the ongoing criminal and other governmental investigations at Siemens, related to allegedly unlawful transactions and payments, which include such activities within Siemens carrier-related operations transferred to Nokia Siemens Networks, the new company has placed the highest importance on its compliance program.

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

Nokia Siemens Networks Code of Conduct, based on the Nokia Code of Conduct, defines boundaries between appropriate and inappropriate business behavior. According to the Code of Conduct, Nokia Siemens Networks employees must not engage in activities that may lead to conflicts of interest, such as any agreement or understanding regarding gifts, hospitality, favors, benefits or bribes in exchange for gaining or maintaining business. The Code of Conduct is supported by the company s anti-corruption compliance program, which includes, among other things, a detailed handbook, training, and monthly reporting from key business personnel.

Following the launch of the Code of Conduct on April 1, 2007, Nokia Siemens Networks commenced a significant e-learning and communication campaign to bring the Code to life and reinforce commitment across the organization. By the end of 2007, the Code of Conduct was available in 18 languages and over 17 000 employees had already successfully completed the company s online Code of Conduct test, showing their understanding of the contents and application of the code.

For further information regarding the investigations at Siemens, see Item 3.D Risk Factors The Siemens carrier-related operations transferred to Nokia Siemens Networks are the subject of various ongoing criminal and other governmental investigations related to whether certain transactions and payments arranged by some current or former employees of Siemens Com business group were unlawful. As a result of those investigations, government authorities and others have taken and may take further actions against Siemens and/or its employees that may involve and affect the assets and employees transferred by Siemens to Nokia Siemens Networks, or there may be undetected additional violations that may have occurred prior to the transfer or violations that may have occurred after the transfer, of such assets and employees that could have a material adverse effect on Nokia Siemens Networks and our reputation, business, results of operations and financial condition.

Sales and Marketing Nokia Siemens Networks

Sales

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

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

Solution Sales Management and Marketing supports the sales process by managing bids and pricing for products and services, as well as positioning the Nokia Siemens Networks brand through marketing events and communication.

Marketing

Nokia Siemens Networks has introduced its own brand and during 2007 sought to position the brand with customers, media, and analysts through opening events, brand engagement activities and customer-focused activities around the company s broad product, services and solution portfolio.

Nokia Siemens Networks also began to build a solutions-driven company that seeks a deeper partnership with its customers by focusing on the specific business needs of an operator and the day-to-day running of its networks, rather than on solely providing network equipment to meet technology-specific needs. An example of this solutions-driven approach is the company s Fit4Business tool, an interactive program that allows service providers to analyze their strategic options, market position, growth opportunities and ways to improve profitability together with Nokia Siemens Networks.

Production Nokia Siemens Networks

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

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At December 31, 2007, Nokia Siemens Networks had production facilities in nine major plants globally: three in China, two in Finland, three in Germany, and one in India.

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

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

Nokia Siemens Networks generally prefers to have multiple sources for its components, but it sources some components from a single or a small number of selected suppliers. As is the case with suppliers to Nokia s device business groups, management believes that these business relationships are stable and typically involve a high degree of cooperation in research and development, product design and manufacturing. This is necessary in order to ensure optimal product interoperability. See Item 3.D Risk Factors We depend on a limited number of suppliers for the timely delivery of sufficient amounts of fully functional components and sub-assemblies and for their compliance with our supplier requirements, such as our and our customers product quality, safety, security and other standards. Their failure to do so could materially adversely affect our ability to deliver our products, services and solutions successfully and on time.

Technology Nokia Siemens Networks

Research, Technology & Platforms focuses on technology research, standardization teams, intellectual property rights, or IPR, R&D services and platform development. It supports all business units in their efforts to serve fixed, mobile and integrated operators, and other service providers around the globe. Research, Technology & Platforms cooperates with universities, the IT industry, and IPR standardization and other industry cooperation bodies worldwide.

Nokia Siemens Networks research and development work focuses on wireless and wireline communication solutions that enable communication services for people and businesses. These include wireless connectivity solutions like GSM, EDGE, WCDMA, TD-SCDMA, HSPA, WiMAX and LTE for operators with or without 3G spectrum and wireline connectivity solutions based on copper (ADSL, VDSL) and fiber (PON, NG-PON) access.

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

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

Patents and Licenses Nokia Siemens Networks

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

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Nokia Siemens Networks owns a significant portfolio comprising IPRs that have been transferred from its parent companies and IPRs filed since its start of operations on April 1, 2007 resulting from strong investment in research and development. Nokia Siemens Networks is a world leader in the development of wireless technologies such as GSM/EDGE, 3G/WCDMA, HSPA, OFDM, WiMax, LTE and TD-SCDMA, as well as of transport and broadband technologies, and it has robust patent portfolios in a broad range of technology areas. The portfolio includes standards-related essential patents that have been declared by Nokia and Siemens. Nokia Siemens Networks will declare its own essential patents based on evaluation of pending patent applications with respect to standards. Nokia Siemens Networks receives and pays certain patent royalties based on existing licensing contracts with telecommunication vendors.

See Item 3.D Risk Factors We must develop or otherwise acquire complex, evolving technologies to use in our business. If we fail to develop or otherwise acquire these complex technologies as required by the market, with full rights needed to use in our business, or to protect them, or to successfully commercialize such technologies as new advanced products, services and solutions that meet customer demand, or fail to do so on a timely basis, this may have a material adverse effect on our business and results of operations. See also Item 3.D Risk Factors Our products, services and solutions include increasingly complex technologies some of which have been developed by us or licensed to us by certain third parties. As a consequence, evaluating the rights related to the technologies we use or intend to use is more and more challenging, and we expect increasingly to face claims that we have infringed third parties intellectual property rights. The use of these technologies may also result in increased licensing costs for us, restrictions on our ability to use certain technologies in our products, services and solution offerings, and/or costly and time-consuming litigation, which could have a material adverse effect on our business and results of operations and Item 3.D Risk Factors Our products, services and solutions include numerous new Nokia and Nokia Siemens Networks patented, standardized, or proprietary technologies on which we depend. Third parties may use without a license or unlawfully infringe our intellectual property or commence actions seeking to establish the invalidity of the intellectual property rights of these technologies. This may have a material adverse effect on our business and results of operations.

Competition Nokia Siemens Networks

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

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

Conditions in the market for mobile and fixed networks infrastructure and related services remain challenging. Despite strong volume growth globally in infrastructure equipment in 2007, volume growth was significantly offset by equipment price erosion, a maturing of industry technology and intense price competition. In addition, consolidation among network operators has increased the need for scale, which is continuing on a regional basis. The increasing demand for data communication has heightened the need for a broader business scope, with companies trying to differentiate themselves through innovations such as reduced energy consumption.

In the fastest-growing part of our business, services, which include managed services (outsourcing), consulting, systems integration and hosting, vendors are judged upon their ability to identify and

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solve customer problems rather than their ability to supply equipment at a competitive price. Competition comes from both established and non-traditional companies, including Ericsson and IBM.

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

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

See Item 3.D Risk Factors Competition in our industry is intense. Our failure to maintain or improve our market position or respond successfully to changes in the competitive landscape may have a material adverse effect on our business and results of operations.

The following sections describe matters related to both Nokia s devices business and Nokia Siemens Networks.

Seasonality Devices and Nokia Siemens Networks

For information on the seasonality of Nokia s devices business and Nokia Siemens Networks business, see Item 5.A Operating Results Overview Certain Other Factors Seasonality.

Sales in sanctioned countries Devices and Nokia Siemens Networks

We are a global company and have sales in most countries of the world. We sold mobile devices and network equipment, through Nokia Siemens Networks, to customers in Iran, Sudan and Syria in 2007. Our aggregate sales to customers in these countries in 2007 accounted for approximately 1.1% of Nokia s total net sales, or EUR 573 million. Iran, Sudan and Syria are subject to US economic sanctions that are primarily designed to implement US foreign policy and the US government has designated these countries as state sponsors of terrorism.

Government Regulation Devices and Nokia Siemens Networks

Our business is subject to direct and indirect regulation in each of the countries in which we, the companies with which we work or our customers do business. As a result, changes in various types of regulations applicable to current or new technologies, products or services could affect our business adversely. Moreover, the implementation of technological or legal requirements, such as the requirement in the United States that all handsets must be able to indicate their physical location, could impact our products, services and solutions, manufacturing or distribution processes, and could affect the timing of product, services and solution introductions, the cost of our production, products, services or solutions, as well as their commercial success. Export control, tariffs or other fees or levies imposed on our products; environmental, product safety and security and other regulations that adversely affect the export, import, pricing or costs of our products, services and solutions; as well as new services related to our products, could adversely affect our net sales and results of operations.

In the United States, our products and solutions are subject to a wide range of government regulations that might have a direct impact on our business, including, but not limited to, regulation related to product certification, standards, spectrum management, access networks, competition and

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environment. For example, it is in our interest that the Federal Communications Commission maintains a regulatory environment that ensures the continued growth of our industry sector in the United States. In addition, changes in regulation affecting the construction of base stations and other network infrastructure could adversely affect the timing and costs of new network construction or expansion and the commercial launch and ultimate commercial success of these networks. We are in continuous dialogue with relevant United States agencies, regulators and the Congress through our experts, industry associations and our office in Washington, D.C.

EU regulation has in many areas a direct effect on our business and customers within the single market of the European Union. For example, in the telecommunications sector the EU has adopted a set of rules that harmonizes the EU Member States regulatory framework for electronic communication networks and services, and aims to encourage competition in the internal electronic communications markets. Also, other regulatory measures have been taken in recent years in order to address competitiveness, innovation, intellectual property rights, consumer protection and environmental policy issues relating to the sector. These legal requirements influence, for example, the conditions for innovation and investment in fixed and wireless broadband communication infrastructure. We interact continuously with the EU institutions through our experts, industry associations and our office in Brussels.

Corporate Responsibility Devices and Nokia Siemens Networks

Customers

Accessibility of Nokia devices

Accessibility is about making Nokia devices and services usable and accessible to the greatest possible number of people, including customers with disabilities. We have been working on accessibility concerns for more than 10 years, and by the end of 2007 we offered more than 60 device features or applications aimed at providing greater accessibility for people with limitations in hearing, speech, vision, mobility and cognition. During the year, we also held an innovation summit that brought together representatives from disability organizations, regulators and academia to discuss accessibility priorities and initiatives.

During 2007, we offered several features for accessibility, including:

- A greater choice of devices compatible with hearing aids
- Enhanced software for converting text to speech, a pre-installed font magnifier, a talking alarm, and a speaking clock for customers with vision loss
- Nokia Conversation, an application aimed at making it easier for customers who rely on text for communication to keep track of their messages

Employees

Values renewal at Nokia s devices business

During 2007, we reviewed and refined our Nokia values in order to engage employees and reflect changes to our devices business and the way we work. More than 2 500 employees from around the world took part in 16 regional events to help us develop the key themes for our new values. Involving employees at every stage of the process ensured that the values are relevant to them and helped to embed a strong values culture throughout the business. In addition, approximately 13 000 employees took part in the Nokia Way Jam, a 72-hour online discussion to share ideas about Nokia s direction, business, culture and values.

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The values we agreed upon are an evolution of the previous Nokia values:

Achieving Together

Very Human

Engaging You

Passion for Innovation

Nokia Siemens Networks values defined

In 2007, Nokia Siemens Networks set out to create a fresh culture for the new company that would reflect its business objectives and the values of its people. Approximately 10 000 employees joined in an online discussion to say what they believe matters most to the company. Nokia Siemens Networks then picked some key topics and invited all its employees to join a 72-hour online forum in June 2007 to refine those ideas. Some 250 volunteers then formed working groups to develop Nokia Siemens Networks values, which are:

Focus on Customers

Win Together

Innovate

Communicate Openly

Inspire

Nokia s devices business Code of Conduct

Efforts at expanding the knowledge among employees of Nokia s Code of Conduct continued in 2007. By the end of the year, approximately 98% of Nokia employees had completed the Nokia Code of Conduct training provided by the company. Information on the Nokia Code of Conduct is available in 19 languages, and we have also introduced a web training tool and online test for employees to confirm they understand the issues covered in the Nokia Code of Conduct.

Nokia Siemens Networks Code of Conduct

In 2007, Nokia Siemens Networks launched its Code of Conduct as part of a broader compliance program which it is implementing. See Item 4.B Business Overview Nokia Siemens Networks Compliance Program.

Labor conditions at Nokia device plants

Following assessments in 2006 of labor conditions at our mobile device manufacturing plants, in 2007 we distributed a new, clearer assessment framework covering the International Labor Organization s conventions and other recognized international labor standards. Our aim is that more straightforward assessments and clearer measurement systems will make it easier for factory managers to implement changes, and will help to improve communication with external stakeholders. We also expect that they will make it easier to follow up after an assessment.

Labor conditions at Nokia Siemens Networks infrastructure plants

During 2007, Nokia Siemens Networks continued to review the status of labor conditions at infrastructure plants with a view towards creating company-wide guidelines by the end of 2008.

Awards and recognition for Nokia s devices business

Our mobile device manufacturing plant in Manaus, Brazil was awarded the Quality of Work Environment Award in 2007 by Sesi Amazones, the Brazilian Social Service of Industry program. Our plant in

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Chennai, India, received the Environmental Management System (ISO 14001) and Occupational Health and Safety Assessment series (OHSAS 18001) certification.

In June 2007, we became the first company to announce its support of a project aimed at driving environmental and social policy to protect the Amazon rainforest. The project has been developed by Suframa, the federal agency responsible for managing the social and economic development model in the Manaus Free Zone and Western Amazon states.

Compensation and benefits Nokia s devices business

In 2007, we revised the way employee bonuses are structured in order to ensure transparency and consistency across our devices business. We held several focus groups bringing together managers, human resources experts and employee representatives. We also benchmarked our incentive systems against those offered by other companies.

Compensation and benefits Nokia Siemens Networks

In 2007, Nokia Siemens Networks began the process of harmonizing the compensation and benefits policies and practices of the two entities that formed the new company. Issues covered include job grading, compensation processes, incentives, benefits and relocation policies.

Suppliers

Nokia s devices business

In 2007, we rolled out our updated Nokia Supplier Requirements for our mobile device suppliers. This latest version of our requirements includes an increased focus on labor, health and safety, ethics and environmental issues consistent with our own internal guidelines and policies. During the year, we continued to monitor device supplier performance and build capabilities through supplier assessments and development activities.

Our device suppliers were subject to 80 Nokia Supplier Requirements assessments and six in-depth labor, health & safety and environmental assessments in 2007, conducted by our internal assessors. We also participated in an industry joint supplier audit pilot as part of Nokia s participation in the Global e-Sustainability Initiative (GeSI). Assessment and development plans have now been put in place with the assessed device suppliers. We also participated in a multi-stakeholder project in China to drive corporate responsibility improvements in the device supply chain in a sustainable manner.

In 2007, we worked on setting energy efficiency and emission targets for certain contract manufacturers and component suppliers in line with Nokia s own targets. We also started to communicate with our device suppliers regarding the EU regulation on Registration, Evaluation, Authorization and Restriction of Chemical substances (REACH).

Nokia Siemens Networks

All Nokia Siemens Networks suppliers must meet Nokia Siemens Networks global Supplier Requirements, which set standards for the management of ethical, environmental and social issues. During 2007, five in-depth internal audits were carried out, with recommendations given for improvements in several areas, including employment contracts, overtime, trade unions, health and safety, and young workers on night shifts. All the issues identified were relatively minor and we have confirmed that improvements have been made. From its inception, Nokia Siemens Networks has joined the Global e-Sustainability Initiative (GeSI) which is developing, for example, tools and management processes to help members deal with supply chain issues.

Society

Nokia s devices business

During 2007, Nokia commissioned The Centre for Knowledge Studies to carry out a study of the effect

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of mobile devices on economic and social life in rural areas. The study identified several service areas which could be transformed by mobile technology to improve people s quality of life, including transport, micro-commerce, healthcare, governance, education and infotainment. Also, Nokia has been developing mobile data-gathering software aimed at enabling organizations such as government departments to replace paper forms, reduce costs and improve efficiency. We have also developed channels to deliver educational materials over mobile networks.

Other activities in 2007 included building on the success of Village Phone through the establishment by Nokia and the Grameen Foundation of a new initiative called Village Phone Direct. It is an innovative, micro-franchise approach to Village Phone that allows any microfinance institution or other organization to work independently with their local operator to develop a Village Phone program for their clients. Village Phone Direct initiatives were implemented in Haiti and the Philippines in 2007.

In 2007, we continued with our efforts in youth development and by the end of the year had activities underway in approximately 40 countries. These projects address important local issues, such as employability and health, and encourage young people to contribute to their local communities.

Nokia employees continued to give their time to community projects they care about through the Nokia Helping Hands employee volunteering program. In 2007, more than 5 900 employees in some 30 countries volunteered more than 32 000 hours of service.

Nokia Siemens Networks

During 2007, Nokia Siemens Networks defined the strategic direction for its corporate social responsibility activities, including such areas as rural connectivity, disaster relief, and education programs in schools and universities supported by a volunteer program. Nokia Siemens Networks launched the Village Connection solution, which is aimed at providing low-cost connectivity in rural areas and enabling local entrepreneurs to provide community connectivity. In South Africa, Nokia Siemens Networks participated in initiatives relating to Broad-Based Black Economic Empowerment. In France, the company joined the initiative Cercle Passeport Telecom, which supports young teens from disadvantaged socio-economic backgrounds. In Oman, Nokia Siemens Networks provided support for victims of the flood of Cyclone Gonu, and in Greece, together with Nokia, the company supported projects to help students go back to school after the devastating forest fires.

Environment

In 2007, we continued to look for possibilities to reduce the environmental impact of our devices and operations at each stage of the product life cycle. Focus areas include materials used, energy efficiency, the manufacturing process and recycling. In 2007, we also started to look at mobile services advocating more sustainable lifestyles, by offering environmental content in our devices. For example, in China, the mobile educational service Mobiledu includes environmental elements.

Recycling Nokia devices

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

One of our most successful recycling initiatives is the Green Box campaign in China, which was initiated in cooperation with China Mobile and Motorola in 2006. Collection volumes from the Green Box campaign had exceeded one million pieces of equipment by the end of 2007.

In 2007, Nokia continued to finance the collection and treatment of electronic waste in different EU

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countries in accordance with European Union WEEE directive 2002/96/EC (Waste Electrical and Electronic Equipment). The WEEE directive specifies that the costs of collecting and treating electronic waste in the EU are split among manufacturers according to their market share per product category in a given EU country.

Energy saving in Nokia s device business

Over the last nine years, we have reduced the average no-load energy used by our chargers by over 50%, and our best-in-class charger needs just one tenth of the power used by our most common chargers. In May 2007, we became the first mobile manufacturer to put alerts into devices encouraging people to unplug their chargers. We have committed to include these alerts across the Nokia product range during 2008.

In 2007, we committed to all Nokia chargers being compliant with the US Environmental Protection Agency s Energy Star requirements by the end of 2008. Our newest chargers, such as that used with the Nokia 3110 Evolve, launched in December 2007, use up to 94% less energy than Energy Star requirements and also meet the highest European Union standards.

At the end of 2007, we joined the Climate Savers program with the WWF. As part of the program, we confirmed our targets for reducing the average no-load stand-by energy use of chargers and committed to further energy saving projects in Nokia facilities and to increasing the use of green electricity.

Materials in Nokia devices and packaging

As of the beginning of 2007, all Nokia mobile devices worldwide are fully compliant with EU RoHS (Restriction of Hazardous Substances). We have also phased out PVC from all Nokia s mobile devices and enhancements.

In December 2007, we introduced the Nokia 3110 Evolve, the first mobile device whose bio-covers use more than 50% renewable materials, reducing the amount of fossil fuels used to manufacture it. The packaging for the Nokia 3110 Evolve contains 60% recycled materials, which doubles the amount of recycled content typically used. The packaging is also smaller in size, which means substantially less cardboard used and energy consumed during transportation.

Nokia Siemens Networks

Nokia Siemens Networks aims to exceed mandatory requirements for environmental stewardship and to set the pace for our industry, based on lifecycle thinking, by:

- designing products to minimize environmental impacts over the entire lifecycle
- reducing suppliers impacts through supplier network management
- focusing on environmental management of our own operations
- reducing impacts at the end of our equipment s useful life by recovering materials and energy and reusing or disposing of substances properly

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4.C Nokia Organizational Structure

The following is a list of Nokia s significant subsidiaries as of December 31, 2007. See, also, Item 4.A History and Development of the Company Organizational structure.

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

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

4.D Property, Plants and Equipment

At December 31, 2007, Nokia operated 10 manufacturing facilities in nine countries for the production of mobile devices, and Nokia Siemens Networks had nine major production facilities in four countries. We continually assess the efficiency and competitiveness of our manufacturing facilities. In March 2007, we announced plans to set up a new mobile device manufacturing facility in Romania, where production started in February 2008. In January 2008, we announced plans to discontinue the production of mobile devices in Germany and to close our Bochum facility there by mid-2008. We plan to move the production from the Bochum site to our other, more cost-competitive sites in Europe.

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

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

Country	Location and Products	Productive Capacity, Net (m^2)[(1)]
BRAZIL	Manaus: mobile devices	26 709
CHINA	Beijing: mobile devices	24 108
	Dongguan: mobile devices	23 480
	Beijing: switching systems	7 461
	Shanghai: base stations, broadband access systems, base stations controllers, transmission systems	20 797
	Suzhou: base stations	9 071
FINLAND	Salo: mobile devices	31 182
	Oulu: base stations	13 309
	Espoo: switching systems, microwave radio products	9 002
GERMANY	Bochum: mobile devices	30 318
	Berlin: optical transmission systems	13 558
	Bruchsal: switching systems, transmission systems, broadband access systems	28 616
	Durach: base stations, microwave radio products, base station controllers	17 470
HUNGARY	Komárom: mobile devices	36 876
INDIA	Chennai: mobile devices	22 940
	Calcutta: switching systems, broadband access systems, transmission systems	8 766
MEXICO	Reynosa: mobile devices	21 151
REPUBLIC OF KOREA	Masan: mobile devices	31 357
UNITED KINGDOM	Fleet: mobile devices	2 728

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A Operating Results

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

As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of our former Networks business group and Siemens carrier-related operations for fixed and mobile networks. Accordingly, the results of the Nokia Group and Nokia Siemens Networks for the year ended December 31, 2007 are not directly comparable to the results for the years ended December 31, 2006 and 2005, respectively. Nokia s 2006 and 2005 results included our former Networks business group only.

The following discussion should be read in conjunction with our consolidated financial statements

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included in Item 18 of this annual report and Item 3.D Risk Factors. Our financial statements and the financial information discussed below have been prepared in accordance with IFRS.

For the purposes of the discussion under Principal Factors Affecting our Results of Operations Mobile Devices and Item 5.C Research and Development, Patents and Licenses , our mobile device net sales and costs include the total net sales and costs of the Mobile Phones and Multimedia business groups, as well as the Mobile Devices business unit of the Enterprise Solutions business group.

Through December 31, 2007, Nokia reported on the following three device business segments: Mobile Phones, Multimedia and Enterprise Solutions. As of January 1, 2008, the three device business segments were replaced by an integrated business segment: Devices & Services. Through March 31, 2007, we also reported on a networks business segment, which was replaced from April 1, 2007 by Nokia Siemens Networks. For a description of our organizational structure see Item 4.A History and Development of the Company Organizational Structure. Business segment data in the following discussion is prior to inter-segment eliminations. See Note 2 to our consolidated financial statements included in Item 18 of this annual report.

Overview

The following table sets forth the net sales and operating profit for our business groups for the three years ended December 31, 2007.

Net Sales and Operating Profit by Business Group*

	Year Ended December 31,					
	2007		2006		2005	
	Net Sales	Operating Profit/(Loss)	Net Sales	Operating Profit/(Loss)	Net Sales	Operating Profit/(Loss)
	(EUR millions)					
Mobile Phones	25 083	5 434	24 769	4 100	20 811	3 598
Multimedia	10 538	2 230	7 877	1 319	5 981	836
Enterprise Solutions	2 070	267	1 031	(258)	861	(258)
Nokia Siemens Networks	13 393	(1 308)	7 453	808	6 557	855
Common Group Expenses		1 362		(481)		(392)
Eliminations	(26)		(9)		(19)	
Total	51 058	7 985	41 121	5 488	34 191	4 639

* *As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of our former Networks business group and Siemens carrier-related operations for fixed and mobile networks. Accordingly, the results of the Nokia Group and Nokia Siemens Networks for the year ended December 31, 2007 are not directly comparable to the results for the years ended December 31, 2006 and 2005, respectively. Nokia s 2006 and 2005 results included our former Networks business group only.*

For 2007, our net sales increased 24% to EUR 51 058 million, compared to EUR 41 121 million in 2006. Our net sales in 2006 increased 20% compared with EUR 34 191 million in 2005. At constant currency, net sales would have grown 28% between 2006 and 2007 and 17% between 2005 and 2006. Our gross margin in 2007 was 33.9%, compared with 32.5% in 2006 and 35.0% in 2005. Our operating profit for 2007 increased 46% to EUR 7 985 million, which included a EUR 1 879 million non-taxable gain on the formation of Nokia Siemens Networks and EUR 1 110 million of restructuring charges and other items in Nokia Siemens Networks. Operating profit in 2006 was EUR 5 488 million. Our operating profit in 2006 increased by 18% from EUR 4 639 million in 2005. Our operating margin was 15.6% in 2007, compared with 13.3% in 2006 and 13.6% in 2005.

The following table sets forth the distribution by geographical area of our net sales for the three years ended December 31, 2007.

Percentage of Nokia Net Sales by Geographical Area*

	Year Ended December 31,		
	2007	**2006**	**2005**
Europe	39%	38%	42%
Middle East & Africa	14%	13%	13%
China	12%	13%	11%
Asia-Pacific	22%	20%	18%
North America	5%	7%	8%
Latin America	8%	9%	8%
Total	100%	100%	100%

* *As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of our former Networks business group and Siemens carrier-related operations for fixed and mobile networks. Accordingly, the results of the Nokia Group and Nokia Siemens Networks for the year ended December 31, 2007 are not directly comparable to the results for the years ended December 31, 2006 and 2005, respectively. Nokia s 2006 and 2005 results included our former Networks business group only.*

The 10 markets in which we generated the greatest net sales in 2007 were, in descending order of magnitude, China, India, Germany, the UK, the US, Russia, Spain, Italy, Indonesia and Brazil, together representing approximately 50% of our total net sales in 2007. In comparison, the 10 markets in which we generated the greatest net sales in 2006 were China, the US, India, the UK, Germany, Russia, Italy, Spain, Indonesia and Brazil, together representing approximately 51% of our total net sales in 2006.

Principal Factors Affecting our Results of Operations

Mobile Devices

Our mobile device sales are derived from the sale of mobile devices by our Mobile Phones and Multimedia business groups and by the Mobile Devices business unit of our Enterprise Solutions business group. Our principal customers are mobile network operators, distributors, independent retailers, corporate customers and consumers. Our product portfolio covers all major user segments and price points from entry-level to mid-range and high-end devices offering voice, data, multimedia and business applications.

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The following table sets forth our estimates for the global mobile device market volumes and year-on-year growth rate by geographic area for the three years ended December 31, 2007.

Global Mobile Device Market Volume by Geographic Area
(Based on Nokia Estimates)

	Year Ended December 31, 2007	Change (%) 2006 to 2007	Year Ended December 31, 2006	Change (%) 2005 to 2006	Year Ended December 31, 2005
	(Units in millions, except percentage data)				
Europe	284	3%	276	16%	238
Middle East & Africa	126	19%	106	68%	63
China	173	34%	129	29%	100
Asia-Pacific	254	34%	189	27%	149
North America	170	6%	160	13%	142
Latin America	130	10%	118	15%	103
Total	1 137	16%	978	23%	795

According to our estimates, in 2007 the global device market volume grew by 16% to 1 137 million units, compared with an estimated 978 million units in 2006. This growth was driven primarily by the strong growth in both replacement sales and sales from new subscribers in emerging markets, particularly China, Middle East & Africa and emerging countries in Asia-Pacific. Developed market device volumes were driven primarily by replacement sales. In those markets, replacement was driven primarily by device features such as color screens, cameras, music players, e-mail, WCDMA and overall aesthetics. We estimate that emerging markets accounted for almost 60% of industry device volumes in 2007, compared with approximately 55% in 2006. The entry-level device market has been an important growth driver for the industry over the last few years, specifically the portion of that market for devices priced at under 50 euros. This was particularly the case in 2007 where we estimate this part of the market represented over 35% of the total industry volumes. We estimate the converged device (smartphones) market was approximately 122 million units globally in 2007, growing strongly from approximately 80 million units in 2006.

At the end of 2007, we estimate that there were approximately 3.3 billion mobile subscriptions globally, representing approximately 43% global penetration. This is compared to approximately 2.7 billion mobile subscribers in 2006 and approximately 40% penetration.

The following table sets forth our mobile device volumes and year-on-year growth rate by geographic area for the three years ended December 31, 2007.

Nokia Mobile Device Volume by Geographic Area

	Year Ended	Year Ended	Year Ended

	December 31, 2007	Change (%) 2006 to 2007	December 31, 2006	Change (%) 2005 to 2006	December 31, 2005
	(Units in millions, except percentage data)				
Europe	117.2	17.7%	99.6	13%	88.5
Middle East & Africa	75.6	42.1%	53.2	36%	39.2
China	70.7	38.6%	51.0	56%	32.6
Asia-Pacific	112.9	41.5%	79.8	65%	48.4
North America	19.4	(23.3)%	25.3	(2)%	25.8
Latin America	41.3	7.0%	38.6	27%	30.4
Total	437.1	25.8%	347.5	31%	264.9

In our Mobile Phones, Multimedia and Enterprise Solutions business groups, mobile device volumes were up 26% in 2007 compared with 2006, reaching 437 million units. Based on our market estimate, our volume market share grew to 38% in 2007, compared with 36% in 2006. In 2007, we estimate that Nokia was the market leader in Europe, Asia-Pacific and Latin America. We further estimate that we were also the market leader in the fastest growing markets of the world, including China, Middle East & Africa, South East Asia-Pacific and India, as well as in WCDMA technology. In one of the fastest growing segments of the market, converged devices (smartphones), our estimated market share was approximately 50% in 2007. We continued to be the market share leader in the fast growing entry-level market, specifically the portion of that market for devices priced at under 50 euros. In 2007, we estimate this part of the market represented over 35% of the total industry volumes and Nokia s market share in this entry-level segment was over 50%.

We believe that successfully competing in the mobile device industry is increasingly challenging, as industry participants need to master many elements in order to win. The increasing industry complexity and challenges of mastering the essential elements efficiently are driving a continuing trend of consolidation, both in terms of share of industry volumes and profit. As a demonstration of this consolidation, we estimate the market share of the top five competitors increased to 82% by the end of 2007 from less than 70% in 2000. We also estimate that the share of operating profit of the top five competitors in 2007 grew to 69% from 51% in 2006.

During 2007, we gained device market share in all regions except North America and Latin America, where our market share declined. In Middle East & Africa, we had excellent market share gains in 2007. We continued to benefit in Middle East & Africa from our brand, broad product portfolio and extensive distribution system.

Our significant market share gains in Asia-Pacific were primarily driven by our strong position in the fastest growing markets, such as India. In Asia-Pacific, we continued to benefit from our brand, broad product portfolio and extensive distribution system.

In Europe, our market share was up significantly in 2007, increasing in most European markets, including France, Germany, Italy, Russia, Spain and the United Kingdom. In Europe, we benefited from a strengthened and broad product portfolio.

In China, we gained market share in 2007 driven by our firmly established and extensive distribution system, broad product portfolio, brand and strong market share in the entry level.

In Latin America, our 2007 market share was down slightly. Strong share gains in markets such as Brazil were more than offset by a lower market share in Mexico. Our strengths in Latin America continued to be our strong entry-level product portfolio and improving mid-range offering.

In North America, our market share declined in 2007. The lower market share in North America in 2007 was primarily driven by our much lower CDMA device volumes compared to 2006, as we effectively ramped down our existing CDMA business during 2007.

Our device ASP in 2007 was EUR 86, declining 10% from EUR 96 in 2006. According to our estimates, industry ASPs also declined in 2007. Our lower ASP in 2007 compared with 2006 was primarily the result of a significantly higher proportion of entry level device sales where the industry growth has been strong and where we have a leading share, and to a lesser extent by the negative effect of the weaker US dollar on our net sales.

Ongoing factors affecting our performance in mobile devices

Our performance in the mobile device business is determined by our ability to satisfy the competitive and complex requirements of the market and our current and potential customers. We will need to continue to leverage and, in some cases, improve our competitive advantages of scale, brand, manufacturing and logistics, technology, broad product portfolio, cost structure, quality and intellectual property rights, or IPR. Our huge scale contributes to our low cost structure. As the devices business is a consumer business, brand is a major differentiating factor, having broad effects

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on market share and pricing. The Business Week and Interbrand annual rating of 2007 Best Global Brands positioned Nokia as the fifth most-valued brand in the world.

At the end of 2007, we made over 1.5 million devices per day in our 10 main device manufacturing facilities globally. We also enjoy a world-class logistics and distribution system and in 2007, we were ranked the number one company in the world in supply chain management by AMR Research. In terms of technology, we believe we need to develop, master, integrate and own relevant technology. This allows us to drive down manufacturing costs and also benefit from technology evolutions and discontinuities in terms of margin and market share.

In August 2007, we announced that we were introducing a multisourcing model for our chipsets. Under the revised strategy, we are discontinuing parts of our own chipset R&D and have expanded our use of commercially available chipsets to four suppliers. We are, however, continuing to develop our leading modem technology, which includes protocol software and related digital design for multi-protocol modems. The revised strategy is aimed at increasing the efficiency of our R&D efforts by allowing us to leverage external innovation through working with the best partners in a specific chipset development area, and by freeing our own R&D resources to focus on our core competencies in modem development and other areas central to our growth strategy, mainly consumer Internet services and enterprise software.

Our broad product portfolio allows us to serve all the relevant segments of the market. Quality is extremely important to consumers and to Nokia. Having high quality products is important because it is one of the key determinants for consumer purchasing behavior and also a critical element in managing costs effectively. Finally, of critical importance, competitiveness in our industry requires significant R&D investments, with IPRs filed to protect those investments and related inventions.

Our device net sales are driven by factors such as the global mobile device market volumes, the value of the mobile device market, our market share development and our ASP.

The global mobile device market volume is driven by the number of new subscribers (net adds) and the degree to which existing mobile subscribers replace their mobile devices with new devices. New subscriber growth, particularly in emerging markets, is impacted primarily by lower cost of ownership, driven by lower priced tariffs and lower cost mobile devices. The replacement market is driven by the introduction of devices that are attractive to end-users in terms of design, features, functionality and aesthetics. We estimate that the replacement market will continue to represent over 70% of the device industry volumes in 2008, compared with just under 70% in 2007. In 2008, we expect the most important drivers of the replacement market will continue to be purchases of devices with color screens, cameras, music players, converged multimedia applications, WCDMA and other general aesthetic features. We also expect that e-mail and navigation capability will be increasingly significant drivers of the replacement market in 2008. Replacement volumes in the emerging markets are having an increasingly significant impact on the global market. We estimate in emerging markets, replacements accounted for over 50% of total mobile device volumes in 2007, and we expect it to be over 60% in 2008. We are also seeing anecdotal evidence that some consumers in the emerging markets are upgrading to higher-priced devices when they replace their devices.

Industry volume growth is also influenced by, among other factors, global and regional economic factors, regional political environment, consumer spending patterns, competitive pressures, regulatory environments, the timing and success of product and service introductions by various market participants, including mobile network operators, the commercial acceptance of new mobile devices, technologies and services, the convergence of technologies in mobile devices and operators and distributors financial situations. Industry volumes are also affected by the level of mobile device subsidies that mobile network operators are willing to offer to end-users in the markets where subsidies are prevalent.

We expect industry mobile device volumes in 2008 to grow by approximately 10% from the approximately 1.14 billion units we estimate for 2007. We expect the volume growth in 2008 to be above 15% in Asia-Pacific, China and Middle East & Africa, and below 10% in Europe, Latin America and North America. We forecast that the four billion mobile subscriptions mark will be reached in 2009. We expect the device industry to experience value growth in 2008, but expect some decline in industry ASPs, primarily reflecting the increasing impact of the emerging markets and competitive factors in general.

Our device net sales growth is impacted by our market share development. Market share is driven by our ability to have a competitive product portfolio with attractive aesthetics, design and combination of value-adding functionalities and services for all major consumer segments and price points. Market share is also impacted by our brand, quality, distribution, ability to deliver, competitive cost structure and how we differentiate our products from those of our competitors. Our market share is also impacted by the growth of our accessible market and mix of the global markets. In 2007, for example, our global device market share benefited from our strong share in the fastest growing segments of the global market, such as India, Middle & East Africa, South East Asia Pacific, the entry-level market, WCDMA/GSM technologies and the converged device market.

We are targeting device volume market share gains in 2008. We believe that our global share should again benefit in 2008, as it did in 2007, from our strong, leading position in the fastest growing markets globally, discussed above. We also see growth opportunities in capturing value from new market segments in the mobile communications industry resulting from the continuing convergence of traditional mobile voice communications, the Internet, information technology, media, entertainment, music and consumer electronics industries into one broad industry.

In our devices business, we have made significant investments during the past several years in certain of these market segments, such as smartphones, multimedia computers, enterprise applications, navigation, music, video, TV, imaging, games and solutions and software for business mobility. With the increasing availability of high-speed wireless internet access and progressively more of our devices featuring advanced multimedia-type capabilities, we see new business opportunities to increase our offering of consumer Internet services and to deliver these services in an easily accessible manner through our devices to a market that we estimate will be worth approximately EUR 100 billion in 2010. We expect to make further investments in this market segment. We also expect to continue our investments in enterprise solutions and software. Our strategy in competing in this market is for our consumer Internet services to support our device ASPs, extend and enhance the Nokia brand, generate incremental net sales and profit streams, and create value and choice for consumers. Our overall longer-term goal is to become the global leader in Internet on mobile .

Over the past few years we have increased our research and development efforts in Internet services and software. This area continued to be primarily in an investment phase in 2007, and we anticipate this will continue for 2008 and 2009. Some incremental net sales were generated and were reported in 2007 as part of our devices business.

Device ASPs are impacted by overall industry dynamics, in particular the growth of the emerging markets as previously discussed, and competitive factors in general. Our ASPs are also impacted by our own product mix, for example the proportion of low-end, mid-range and high-end devices, as well as the overall competitiveness of our product portfolio.

There are several factors that drive our profitability in devices, beyond the drivers of device net sales already discussed. Scale, operational efficiency and cost control have been and are expected to continue to be important factors affecting our profitability and competitiveness. Our mobile device product costs are comprised of the cost of components, manufacturing labor and overhead, royalties and license fees, the depreciation of product machinery, logistics costs, cost of excess and obsolete inventory, as well as warranty and other quality costs.

Efficiency of operating expense is also an important driver of our device profitability. In 2007, our research and development expenses related to mobile devices were EUR 2.6 billion compared with EUR 2.4 billion in 2006. For 2007 and 2006, research and development expenses represented approximately 7% of mobile device net sales. In

2007, our sales and marketing costs related to mobile devices were EUR 2.9 billion compared with EUR 2.7 billion in 2006. For 2007 and 2006, sales and marketing costs represented approximately 8% of mobile device net sales. In an effort to continue to improve our efficiency, we are targeting an improvement in the ratio of Nokia Group gross margin to R&D expenses and an improvement in the ratio of Nokia Group gross margin to sales and marketing expenses in 2008, compared to 2007.

Infrastructure Nokia Siemens Networks

Nokia Networks business was one of our business groups in the first quarter of 2007. On April 1, 2007, our Networks business group was combined with Siemens carrier-related operations for fixed and mobile networks to form Nokia Siemens Networks, a company jointly owned by Nokia and Siemens and consolidated by Nokia. Accordingly, the results of Nokia Group and Nokia Siemens Networks for periods from April 1, 2007 are not directly comparable to any prior period results. The prior periods included our former Networks business group only.

Nokia Siemens Networks provides wireless and fixed network infrastructure, communications and networks service platforms, as well as professional services, to operators and service providers. At the end of 2007, Nokia Siemens Networks had approximately 58 500 employees, 1 400 customers in 150 countries, and systems serving in excess of one billion subscribers.

The following table sets forth the global mobile and fixed infrastructure and related services market by geographic area, based on Nokia and Nokia Siemens Networks estimates, for the three years ended December 31, 2007.

Global Mobile and Fixed Infrastructure and Related Services Market Size by Geographic Area (Based on Nokia Estimate)

	Year Ended December 31, 2007	**Change (%) 2006 to 2007**	**Year Ended December 31, 2006**	**Change (%) 2005 to 2006**	**Year Ended December 31, 2005**
	(EUR billions, except percentage data)				
Europe	33	0%	33	6%	31
Middle East & Africa	9	13%	8	0%	8
China	11	0%	11	10%	10
Asia-Pacific	27	4%	26	18%	22
North America	26	(4)%	27	0%	27
Latin America	8	0%	8	(11)%	9
Total	114	1%	113	6%	107

In 2007, according to our estimates, the size of the mobile infrastructure market increased 1% from 2006, while in 2006 it increased by approximately 6% from 2005 in euro terms. Subscriber growth combined with increased voice usage in some markets were the main drivers for the 2007 market growth. Growth in developed markets was driven by 2G capacity increases, and investments in 3G also contributed positively to market growth in Western Europe, Asia-Pacific and the US. Growth in emerging markets was impacted by rapid subscriber growth, resulting in capacity increases and new network build-outs. Globally strong volume growth in networks infrastructure equipment was significantly offset by equipment price erosion, largely as a result of a maturing of industry technology, and intense price competition. The fixed line market continued to be characterized by intense price competition in 2007, both in terms of equipment price erosion due to heavy competition, especially from Asian vendors, and from declining tariffs, which are expected to continue to fall.

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The following table sets forth Nokia Siemens Networks net sales by geographic area for the three years ended December 31, 2007.

Nokia Siemens Networks Net Sales by Geographic Area*

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
		(EUR millions)	
Europe	5 359	2 707	2 813
Middle East & Africa	1 515	546	274
China	1 350	885	695
Asia-Pacific	3 350	1 758	1 197
North America	616	758	816
Latin America	1 202	799	762
Total	13 393	7 453	6 557

* *As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of our former Networks business group and Siemens carrier-related operations for fixed and mobile networks. Accordingly, the results of the Nokia Group and Nokia Siemens Networks for the year ended December 31, 2007 are not directly comparable to results for the years ended December 31, 2006 and 2005, respectively. Nokia s 2006 and 2005 results included our former Networks business group only.*

Ongoing factors affecting Nokia Siemens Networks performance in infrastructure

Nokia Siemens Networks performance in the infrastructure business is determined by its ability to satisfy the competitive and complex requirements of the market and its current and potential customers. Nokia Siemens Networks will need to continue to leverage and, in some cases, improve its scale, technology and product portfolio to maintain or improve its position in the market. Nokia Siemens Networks will also need to achieve the estimated EUR 2 billion in annual cost synergies it is targeting in order to maintain a competitive cost structure, substantially all of which are targeted to be achieved by the end of 2008.

Nokia Siemens Networks net sales depend on various developments in the mobile and fixed infrastructure market, such as network operator investments, the pricing environment, Nokia Siemens Networks market share and product mix. In developed markets, operator investments are primarily driven by capacity upgrades which are driven by greater usage of the networks both for voice calls and increasingly for data usage. Also, in developed markets, operator investments are driven by 3G/WCDMA deployments. The initial deployments of 3G/WCDMA have been largely completed and additional deployments in 2008 will occur where there is a need for greater capacity. In emerging markets, the principal factors influencing operator investments are the growth in mobile usage and the growth in the number of subscribers.

Nokia expects very slight growth in the mobile and fixed infrastructure and related services market in euro terms in 2008. The market is expected to be driven by continuing subscriber growth, growing minutes of use and the growth of the services market. Nokia and Nokia Siemens Networks are targeting that Nokia Siemens Networks will grow faster than the market in 2008.

Nokia Siemens Networks net sales are also impacted by pricing developments. Like our mobile devices business, the products and solutions offered by Nokia Siemens Networks business are subject to price erosion over time, largely as a result of technology maturation and competitive forces in the market. Nokia Siemens Networks net sales are also affected by the product mix the mix of hardware sales, software sales and services sales. Net sales are also impacted by regional mix the mix of developed and emerging markets sales.

There are several factors that drive the profitability at Nokia Siemens Networks. First, are the drivers of net sales as already discussed. Scale, operational efficiency and cost control have been and will continue to be important factors affecting Nokia Siemens Networks profitability and competitiveness. Nokia Siemens Networks product costs are comprised of the cost of components, manufacturing, labor and overhead, royalties and license fees, the depreciation of product machinery, logistics costs as well as warranty and other quality costs. Nokia Siemens Networks profitability is also impacted by the pricing environment, product mix and regional mix. The pricing environment in the markets where Nokia Siemens Networks competes continued to be intense in 2007, and we expect that these general market conditions will continue in 2008.

Nokia Siemens Networks profitability in 2007 was negatively impacted by several factors. Delays in the formation of Nokia Siemens Networks, caused primarily by the ongoing criminal and other investigations at Siemens, caused disruption internally but also likely with customers. Certain customers, which were customers of both our former Networks business group and Siemens carrier-related operations for fixed and mobile networks and due to the formation of Nokia Siemens Networks then had Nokia Siemens Networks as their sole supplier, have sought to diversify their supplier risk which also negatively impacted Nokia Siemens Networks profitability in 2007. Nokia Siemens Networks also terminated relationships, originated in the Siemens carrier-related operations, with certain business consultants and other third party intermediaries in some countries as their business terms and practices were contrary to Nokia Siemens Networks Code of Conduct. These factors may have caused a certain amount of lost sales and business opportunities generally. Nokia Siemens Networks margins were also negatively impacted by the continued aggressive price competition in the market and a higher proportion of net sales from the emerging markets and services sales, both of which have lower margins.

We believe the current and continuing dynamics in the infrastructure market provide further validation for the creation of Nokia Siemens Networks. The formation of Nokia Siemens Networks is designed to provide the new company with needed scale and a more competitive convergence portfolio. The scale advantages, together with the significant ongoing restructuring program, are expected to deliver margin benefits leading to improved profitability.

Efficiency of operating expense is also an important driver for Nokia Siemens Networks profitability. For 2007, the research and development expenses related to Nokia Siemens Networks were EUR 2.7 billion and represented approximately 21% of Nokia Siemens Networks net sales. In 2007, the sales and marketing costs related to Nokia Siemens Networks were EUR 1.4 billion and represented approximately 10% of Nokia Siemens Networks net sales. In 2007, R&D and sales and marketing expenses for Nokia Siemens Networks included a total of EUR 588 million of costs associated with restructuring. Nokia s first quarter 2007 results included our former Networks business group only.

Subsequent Events

Transfer of statutory pension liability in Finland to Ilmarinen and Varma

On December 20, 2007, we announced our decision to transfer the Finnish statutory pension liability of Nokia and Nokia Siemens Networks to the pension insurance companies Ilmarinen and Varma, respectively, as of March 1, 2008. The transfer did not affect the number of employees covered by the plan nor will it affect the current employees entitlement to pension benefits. At the transfer date, we have retained no direct or indirect obligation to pay employee benefits relating to employee service in current, prior or future periods. We are currently evaluating the accounting impact of the transfer including the recognition of unrecognized actuarial gains and losses.

Closure of Bochum site in Germany

On January 15, 2008, we announced plans to discontinue the production of mobile devices in

Germany and close our Bochum site by mid-2008. We plan to move the production to our other, more cost-competitive sites in Europe. We also intend to discontinue other non-production activities at the Bochum site. We also announced plans to sell our Bochum-based line fit automotive business, and we are in negotiations to sell the adaptation software R&D entity also located in Bochum. The planned closure of the site in Bochum is estimated to affect approximately 2 300 Nokia employees. We are currently evaluating the accounting impact of the closure of the Bochum site and expect to recognize restructuring and other charges in 2008.

Acquisition of NAVTEQ

On October 1, 2007, Nokia and NAVTEQ announced a definitive agreement for Nokia to acquire NAVTEQ, a leading provider of comprehensive digital map information for automotive navigation systems, mobile navigation devices, Internet-based mapping applications, and government and business solutions. The NAVTEQ acquisition is still pending and subject to customary closing conditions, including regulatory approvals. For the year ended December 31, 2007, NAVTEQ reported revenues of USD 853 million (EUR 591 million), net profit of USD 173 million (EUR 120 million), total assets of USD 1 322 million (EUR 916 million) and shareholders equity of USD 1 007 million (EUR 697 million).

Acquisition of Apertio

On January 2, 2008, Nokia Siemens Networks announced the acquisition of the UK-based Subscriber-centric network specialist Apertio Ltd (Apertio) for approximately EUR 140 million. Apertio is a leading provider of open real-time subscriber data platforms and applications built specifically for mobile, fixed and converged telecommunications operators. The acquisition closed on February 11, 2008.

Acquisition of Trolltech

On January 28, 2008, Nokia and Norway-based software provider Trolltech ASA (Trolltech) announced that they have entered into an agreement that Nokia will make a public voluntary offer to acquire Trolltech which offer has thereafter commenced. Trolltech is a recognized software provider with world-class software development platforms and frameworks. Completion of the acquisition is subject to customary closing conditions, including acceptance by shareholders of Trolltech representing more than 90% of the fully diluted share capital and the necessary regulatory approvals.

For year ended December 31, 2007, Trolltech reported unaudited revenues 218 million Norwegian kroner (EUR 27 million) net loss of 38 million Norwegian kroner (EUR 5 million), total assets of 210 million Norwegian kroner (EUR 26 million) and shareholders equity of 120 million Norwegian kroner (EUR 15 million).

See Note 33 to our consolidated financial statements included in Item 18 of this annual report for further information relating to these subsequent events.

Certain Other Factors

United States Dollar

In 2007, the US dollar depreciated against the euro by 10.0% (when measured by the year-end rate compared to the year-end rate for the previous year). When measured by the average rate used to record transactions in foreign currency for accounting purposes for the year compared with the corresponding rate for the previous year, the US dollar depreciated against the euro by 9.1% in 2007. The weaker US dollar on average had a negative impact on our net sales expressed in euros because approximately 50% of our net sales are generated in US dollars and currencies closely following the US dollar. However, the depreciation of the US dollar also contributed to a lower average product cost as approximately 50% of the components we use are sourced in US dollars. To mitigate the impact of changes in exchange rates on net sales as well as average product cost, we hedge all material transaction exposures on a gross basis. All in all, the average depreciation of the US dollar had a negative impact on our operating profit in 2007. For more information, see Results of Operations Exchange Rates below.

Seasonality

Our device sales are somewhat affected by seasonality. Historically, the first quarter of the year was the lowest quarter of the year. The second quarter was up from the first quarter and the third was also up from the second quarter. The fourth quarter was the strongest quarter, mainly due to the effect of fourth quarter holiday sales.

However, over time we have seen a trend towards less seasonality. We still continue to see the fourth quarter as our strongest quarter in volumes. However, the difference between the sequential holiday seasonal increase in the Western hemisphere in fourth quarter and subsequent decrease in first quarter sequential volumes has moderated. The moderation in seasonality has been caused by shifts in the regional make up of the overall market. Specifically, there has been a larger mix of industry volumes coming from markets where the fourth quarter holiday seasonality is much less prevalent.

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

Accounting developments

The International Accounting Standards Board, or IASB, has and will continue to critically examine current International Financial Reporting Standards, or IFRS, with a view toward increasing international harmonization of accounting rules. This process of amendment and convergence of worldwide accounting rules continued in 2007 resulting in amendments to the existing rules effective from January 1, 2008 and additional amendments effective the following year. These are discussed in more detail under New accounting pronouncements under IFRS in Note 1 to our consolidated financial statements included in Item 18 of this annual report. There were no material IFRS accounting developments adopted in 2007 that have a material impact on our results of operations or financial position.

Critical Accounting Policies

Our accounting policies affecting our financial condition and results of operations are more fully described in Note 1 to our consolidated financial statements included in Item 18 of this annual report. Certain of our accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported carrying values of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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

Revenue recognition

Sales from the majority of the Group are recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and the costs

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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.

Mobile Phones, Multimedia and certain Enterprise Solutions and Nokia Siemens Networks revenue is generally recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This requires us to assess at the point of delivery whether these criteria have been met. When management determines that such criteria have been met, revenue is recognized. We record estimated reductions to revenue for special pricing agreements, price protection and other volume based discounts at the time of sale, mainly in the mobile device business. Sales adjustments for volume based discount programs are estimated based largely on historical activity under similar programs. Price protection adjustments are based on estimates of future price reductions and certain agreed customer inventories at the date of the price adjustment. An immaterial part of the revenue from products sold through distribution channels is recognized when the reseller or distributor sells the product to the end-user. Mobile Phones, Multimedia and certain Enterprise Solutions and 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.

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

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

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

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

Customer financing

We have provided a limited amount of customer financing and agreed extended payment terms with selected customers. In establishing credit arrangements, management must assess the creditworthiness of the customer and the timing of cash flows expected to be received under the arrangement. However, should the actual financial position of our customers or general economic conditions differ from our assumptions, we may be required to re-assess the ultimate collectibility 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. See also Note 35(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 the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyzes accounts receivables and historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Inventory-related allowances

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

Warranty provisions

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

Provision for intellectual property rights, or IPR, infringements

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

Our products and solutions include increasingly complex technologies involving numerous patented and other proprietary technologies. Although we proactively try to ensure that we are aware of any patents and other intellectual property rights related to our products and solutions under development and thereby avoid inadvertent infringement of proprietary technologies, the nature of our business is such that patent and other intellectual property right infringements may and do occur.

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Through contact with parties claiming infringement of their patented or otherwise exclusive technology, or through our own monitoring of developments in patent and other intellectual property right cases involving our competitors, we identify potential IPR infringements.

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

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

Legal contingencies

As discussed in Item 8.A.7 Litigation and 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.

Capitalized development costs

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

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

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

Business combinations

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

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Valuation of long-lived and intangible assets and goodwill

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

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

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

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

Fair value of derivatives and other financial instruments

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

Income taxes

The Group is subject to income taxes both in Finland and in numerous foreign jurisdictions. Significant judgment is required in determining the provision for income taxes and deferred tax assets and liabilities recognized in the consolidated financial statements. We recognize deferred tax assets to the extent that it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. We have considered future taxable income and tax planning strategies in making this assessment. We recognize tax provisions based on estimates and assumptions when, despite our belief that tax return positions are

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supportable, it is more likely than not that certain positions will be challenged and may not be fully sustained upon review by tax authorities.

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

Pensions

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

Share-based compensation

We have various types of equity settled share-based compensation schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments as at the date of grant, excluding the impact of any non-market vesting conditions. Fair value of stock options is estimated by using the Black Scholes model on the date of grant based on certain assumptions. Those assumptions are described in Note 22 to the 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 to employees that are expected to be settled is assumed to be the target amount. 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 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.

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Results of Operations

2007 compared with 2006

Nokia Group

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

	Year Ended December 31, 2007	Percentage of Net Sales	Year Ended December 31, 2006	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	51 058	100.0%	41 121	100.0%	24%
Cost of sales	(33 754)	(66.1)%	(27 742)	(67.5)%	22%
Gross profit	17 304	33.9%	13 379	32.5%	29%
Research and development expenses	(5 647)	(11.1)%	(3 897)	(9.5)%	45%
Selling and marketing expenses	(4 380)	(8.6)%	(3 314)	(8.1)%	32%
Administrative and general expenses	(1 180)	(2.3)%	(666)	(1.6)%	77%
Other operating income and expenses	1 888	3.7%	(14)	0.0%	
Operating profit	7 985	15.6%	5 488	13.3%	45%

For 2007, our net sales increased 24% to EUR 51 058 million compared with EUR 41 121 million in 2006. At constant currency, group net sales would have grown 28% in 2007. Our gross margin in 2007 was 33.9% compared with 32.5% in 2006. This improvement in our gross margin primarily reflected an improving device portfolio across the range, especially in the Mobile Phones business group. The improved gross margin from the device business was partly offset by a weaker gross margin in Nokia Siemens Networks, compared to the gross margin in Nokia s Networks business group in 2006. The 2007 results of Nokia Siemens Networks are not directly comparable to 2006, as the first quarter 2007 and full year 2006 included Nokia s former Networks business group only.

Research and development, or R&D, expenses were EUR 5 647 million, up 45% from EUR 3 897 million in 2006. R&D expenses represented 11.1% of net sales in 2007, up from 9.5% in 2006. The increase in R&D as a percentage of net sales was primarily due to the formation of Nokia Siemens Networks, which added Siemens carrier-related operations and associated R&D expenses. Research and development expenses have been higher as a percent of sales for both Nokia s former Networks business group and Nokia Siemens Networks than for the Nokia Group. Research and development expenses for the device business represented 6.6% of its net sales in 2007, down from 7.1% in 2006, reflecting continued efforts to gain efficiencies in our investments. R&D expenses increased in Mobile Phones, Multimedia and Nokia Siemens Networks and decreased in Enterprise Solutions. In 2007, Nokia incurred restructuring charges of EUR 439 million related to R&D activities representing 0.9% of net sales in 2007.

In 2007, selling and marketing expenses were EUR 4 380 million, up 32% from EUR 3 314 million in 2006, reflecting increased selling and marketing spend in all business groups to support new product introductions and the higher level of our net sales.

Selling and marketing expenses represented 8.6% of our net sales in 2007, up from 8.1% in 2006. The increased selling and marketing expense was also impacted by the formation of Nokia Siemens Networks, which added Siemens carrier-related operations and associated selling and marketing expenses. Selling and marketing expenses have been higher as a percent of net sales for both our former Networks business group and Nokia Siemens Networks than for the Nokia Group. Selling and

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marketing expenses for the device business represented 7.5% of its net sales in 2007, down from 7.9% in 2006, reflecting continued efforts to gain efficiencies in our investments. Nokia selling and marketing expenses for 2007 also included restructuring charges of EUR 149 million representing 0.3% of the net sales in 2007.

Administrative and general expenses were EUR 1 180 million in 2007 and EUR 666 million in 2006. Administrative and general expenses were equal to 2.3% of net sales in 2007 compared to 1.6% in 2006. Administrative and general expenses for 2007 also included restructuring charges of EUR 146 million.

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

Nokia Group s operating profit for 2007 increased 46% to EUR 7 985 million compared with EUR 5 488 million in 2006. An increase in the operating profit of Mobile Phones, Multimedia, Enterprise Solution and Group Common Functions in 2007 more than offset Nokia Siemens Network s operating loss. Our operating margin was 15.6% in 2007 compared with 13.3% in 2006.

Results by Segments

Mobile Phones

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

	Year Ended December 31, 2007	**Percentage of Net Sales**	**Year Ended December 31, 2006**	**Percentage of Net Sales**	**Percentage Increase/ (Decrease)**
	(EUR millions, except percentage data)				
Net sales	25 083	100.0%	24 769	100.0%	1%
Cost of sales	(16 555)	(66.0)%	(17 489)	(70.6)%	(5)%
Gross profit	8 528	34.0%	7 280	29.4%	17%
Research and development expenses	(1 270)	(5.1)%	(1 227)	(5.0)%	4%
Selling and marketing expenses	(1 708)	(6.8)%	(1 649)	(6.6)%	4%
Administrative and general expenses	(84)	(0.3)%	(79)	(0.3)%	6%

Other operating income and expenses	(32)	(0.1)%	(225)	(0.9)%	(86)%
Operating profit	5 434	21.7%	4 100	16.6%	33%

Mobile Phones business group 2007 net sales increased 1% to EUR 25 083 million compared with EUR 24 769 million in 2006. At constant currency, Mobile Phones business group net sales would have increased by 5%. The net sales growth was driven by strong volume growth, especially in the entry level and music optimized devices. We were also able to capture incremental volumes with our strong logistics execution. Volume growth was largely offset by significant decline in ASP. The net

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sales increase was strongest in Middle East & Africa and Asia-Pacific, followed by China. Net sales decreased in North America and, to a lesser extent, in Latin America. Net sales were practically on the same level in Europe.

Mobile Phones 2007 gross profit was EUR 8 528 million compared with EUR 7 280 million in 2006. This represented a gross margin of 34.0% in 2007 compared with a gross margin of 29.4% in 2006. This increase in gross margin was primarily due to newer and more profitable devices shipping in volume across its range, especially in the mid-range.

Mobile Phones 2007 R&D expenses increased by 4% to EUR 1 270 million compared with EUR 1 227 million in 2006. In 2007, R&D expenses represented 5.1% of Mobile Phones net sales compared with 5.0% of its net sales in 2006. The increase reflected the extensive renewal of the product portfolio and continuous introduction of new features in the products shipping in volumes.

In 2007, Mobile Phones selling and marketing expenses increased by 4% to EUR 1 708 million as a result of increased sales and marketing spend to support launches of new products and costs related to further development of the distribution network, compared with EUR 1 649 million in 2006. In 2007, selling and marketing expenses represented 6.8% of Mobile Phones net sales compared with 6.6% of its net sales in 2006.

Other operating income and expenses in 2007 included EUR 35 million of restructuring charges. In 2006, other operating expenses included EUR 142 million of charges primarily related to the restructuring of the CDMA business and associated asset write-downs.

In 2007, Mobile Phones operating profit increased 33% to EUR 5 434 million compared with EUR 4 100 million in 2006, with a 21.7% operating margin, up from 16.6% in 2006. The increase in operating profit in 2007 was driven by an improved gross margin.

Multimedia

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

	Year Ended December 31, 2007	**Percentage of Net Sales**	**Year Ended December 31, 2006**	**Percentage of Net Sales**	**Percentage Increase/ (Decrease)**
	(EUR millions, except percentage data)				
Net sales	10 538	100.0%	7 877	100.0%	34%
Cost of sales	(6 298)	(59.8)%	(4 800)	(60.9)%	31%
Gross profit	4 240	40.2%	3 077	39.1%	38%
Research and development expenses	(1 011)	(9.6)%	(902)	(11.5)%	12%
Selling and marketing expenses	(921)	(8.7)%	(780)	(9.9)%	18%
Administrative and general expenses	(55)	(0.5)%	(45)	(0.6)%	22%
	(23)	(0.2)%	(31)	(0.4)%	(26)%

Other operating income and expenses					
Operating profit	2 230	21.2%	1 319	16.7%	69%

Multimedia business group 2007 net sales increased 34% to EUR 10 538 million compared with EUR 7 877 million in 2006. At constant currency, Multimedia net sales would have increased 39% in 2007. Net sales were driven by a robust converged device market supporting sales of more than 38 million Nokia Nseries multimedia computers during the year, led by the Nokia N70, Nokia N73 and Nokia N95. Net sales increased in all regions and were strongest in Latin America and North America, followed by China, Europe, Asia-Pacific and Middle East & Africa.

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Multimedia 2007 gross profit increased by 38% to EUR 4 240 million compared with EUR 3 077 million in 2006. This represented a gross margin of 40.2% in 2007 compared with a gross margin of 39.1% in 2006. The increase in gross profit resulted primarily from the growth of the business. The gross margin increase reflected a greater percentage of sales of high-end products.

Multimedia 2007 R&D expenses increased by 12% and were EUR 1 011 million compared with EUR 902 million in 2006, representing 9.6% of Multimedia net sales in 2007 compared with 11.5% of its net sales in 2006. The increase in R&D expenses was primarily due to increased investments in Multimedia Experiences.

In 2007, Multimedia s selling and marketing expenses increased by 18% to EUR 921 million as a result of increase in marketing and advertising expenses primarily due to the launch of new products and growth of the business. Selling and marketing expenses were EUR 780 million in 2006. In 2007, selling and marketing expenses represented 8.7% of Multimedia s net sales compared with 9.9% of its net sales in 2006. This reflected the improved efficiency resulting from the growth in our net sales.

Multimedia 2007 operating profit increased 69% to EUR 2 230 million compared with EUR 1 319 million in 2006, with an operating margin of 21.2% in 2007, up from 16.7% in 2006. The increase in operating profit reflected the growth in net sales of our Multimedia products and effective cost control.

Enterprise Solutions

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

	Year Ended December 31, 2007	**Percentage of Net Sales**	**Year Ended December 31, 2006**	**Percentage of Net Sales**	**Percentage Increase/ (Decrease)**
	(EUR millions, except percentage data)				
Net sales	2 070	100.0%	1 031	100.0%	101%
Cost of sales	(1 124)	(54.3)%	(582)	(56.5)%	93%
Gross profit	946	45.7%	449	43.5%	110%
Research and development Expenses	(273)	(13.2)%	(319)	(30.9)%	(14)%
Selling and marketing Expenses	(308)	(14.9)%	(306)	(29.7)%	1%
Administrative and general Expenses	(77)	(3.7)%	(75)	(7.3)%	3%
Other operating income and expenses	(21)	(1.0)%	(7)	(0.6)%	200%
Operating profit	267	12.9%	(258)	(25.0)%	

Enterprise Solutions business group 2007 net sales increased 101% to EUR 2 070 million compared with EUR 1 031 million in 2006. At constant currency, Enterprise Solutions net sales would have increased 106% in 2007. Net sales were driven primarily by very strong volume growth in the device business of Enterprise Solutions, especially from the E65. The Nokia Eseries sold almost 7 million units in 2007. Net sales growth was highest in Asia-Pacific, Latin America, Europe and Middle East & Africa. Net sales declined in China and North America.

In Enterprise Solutions, gross profit increased by 110% to EUR 946 million as a result of the growth of the business as well as higher margins on Nokia Eseries devices, compared with EUR 449 million in 2006. This represented a gross margin of 45.7% in 2007 and an increase from a gross margin of 43.5% in 2006 reflecting the improved mix of high-end products with higher ASPs.

In Enterprise Solutions, R&D expenses in 2007 decreased by 14% to EUR 273 million due to effective cost control. R&D expenses in 2006 were EUR 319 million. R&D expenses represented 13.2% of

Enterprise Solutions net sales in 2007 compared to 30.9% in 2006 reflecting the growth of the business as well as effective cost controls.

In 2007, Enterprise Solutions selling and marketing expenses increased by 1% to EUR 308 million compared with EUR 306 million in 2006. In 2007, selling and marketing expenses represented 14.9% of Enterprise Solutions net sales compared to 29.7% in 2006 reflecting the growth of the business as well as effective cost controls.

Other operating income and expenses included a restructuring charge for personnel expenses primarily related to headcount reductions of EUR 17 million in 2007 and EUR 8 million in 2006.

Enterprise Solutions operating profit in 2007 was EUR 267 million compared with an operating loss of EUR 258 million in 2006, with an operating margin of 12.9% in 2007 and an operating margin of negative 25.0% in 2006. The increased operating profit and operating margin were primarily driven by higher net sales, effective operating cost control and higher ASPs of Nokia Eseries devices.

Nokia Siemens Networks

As of April 1, 2007, Nokia results include those of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of our former Networks business group and Siemens carrier-related operations for fixed and mobile networks. Accordingly, the results of the Nokia Group and Nokia Siemens Networks for the year ended December 31, 2007 are not directly comparable to the results for the year ended December 31, 2006. Nokia s 2006 results included our former Networks business group only.

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

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

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

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

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

In 2007, Nokia Siemens Networks selling and marketing expenses increased to EUR 1 394 million

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

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

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

Group Common Functions

Group Common Functions operating profit totaled EUR 1 362 million in 2007 compared with Group Common Function s expenses of EUR 481 million in 2006. Group Common Functions operating profit in 2007 included a EUR 1 879 million non-taxable gain on the formation of Nokia Siemens Networks, EUR 75 million of real estate gains and a EUR 53 million gain on a business transfer.

Net Financial Income

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

The net debt to equity ratio was negative 61% at December 31, 2007 compared with a net debt to equity ratio of negative 68% at December 31, 2006. See Item 5.B Liquidity and Capital Resources below.

Profit Before Taxes

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

Minority Interests

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

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Net Profit and Earnings per Share

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

2006 compared with 2005

Nokia Group

The following table sets forth selective line items and the percentage of net sales that they represent for Nokia for the fiscal years 2006 and 2005.

	Year Ended December 31, 2006	Percentage of Net Sales	Year Ended December 31, 2005	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	41 121	100.0%	34 191	100.0%	20%
Cost of sales	(27 742)	(67.5)%	(22 209)	(65.0)%	25%
Gross profit	13 379	32.5%	11 982	35.0%	12%
Research and development expenses	(3 897)	(9.5)%	(3 825)	(11.2)%	2%
Selling and marketing expenses	(3 314)	(8.1)%	(2 961)	(8.7)%	12%
Administrative and general expenses	(666)	(1.6)%	(609)	(1.8)%	9%
Other operating income and expenses	(14)		52	0.2%	
Operating profit	5 488	13.3%	4 639	13.6%	18%

For 2006, our net sales increased 20% to EUR 41 121 million compared with EUR 34 191 million in 2005. At constant currency, group net sales would have grown 17% in 2006. Our gross margin in 2006 was 32.5% compared with 35.0% in 2005. This lower gross margin primarily reflected the inability of certain high-end products in our portfolio to compete effectively in various markets, coupled with a general shift to lower priced products driven primarily by the growth of emerging markets and our strong position in those markets. Gross margin was also negatively impacted by a decline in Networks gross margin, which was primarily affected by pricing pressure and our efforts to gain market share, a greater proportion of sales from emerging markets and a higher share of service sales.

Research and development, or R&D, expenses were EUR 3 897 million in 2006, up 2% from EUR 3 825 million in 2005. R&D expenses represented 9.5% of net sales in 2006, down from 11.2% in 2005. The decrease in R&D as a percentage of net sales reflected our continued effort to improve the efficiency of our investments. R&D expenses increased in Multimedia and Networks and decreased in Mobile Phones and Enterprise Solutions. In 2005, Multimedia incurred a restructuring charge of EUR 15 million related to R&D activities.

In 2006, selling and marketing expenses were EUR 3 314 million, up 12% from EUR 2 961 million in 2005, reflecting increased sales and marketing spend in all business groups to support new product introductions. Selling and marketing expenses represented 8.1% of Nokia net sales in 2006, down from 8.7% in 2005.

Administrative and general expenses were EUR 666 million in 2006 and EUR 609 million in 2005. Administrative and general expenses were equal to 1.6% of net sales in 2006 compared to 1.8% in 2005.

In 2006, other operating expenses included EUR 142 million of charges primarily related to the

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restructuring of the CDMA business and associated asset write-downs. Other operating expenses included also restructuring charge of EUR 8 million for personnel expenses primarily related to headcount reductions in Enterprise Solutions in 2006. In 2006, other operating income included a gain of EUR 276 million representing our share of the proceeds from the Telsim sale. In 2005, other operating income and expenses included a gain of EUR 61 million relating to the divesture of the Group s Tetra business, a gain of EUR 18 million related to the partial sale of a minority investment, and a gain of EUR 45 million related to qualifying sales and leaseback transactions for real estate. In 2005, Enterprise Solutions recorded a charge of EUR 29 million for personnel expenses and other costs in connection with the restructuring taken in light of a general downturn in market conditions.

Nokia Group s operating profit for 2006 increased 18% to EUR 5 488 million compared with EUR 4 639 million in 2005. An increase in Mobile Phones and Multimedia s operating profit in 2006 more than offset an unchanged operating loss in Enterprise Solutions and an operating profit decline in Networks. Networks operating profit included the negative impact of EUR 39 million incremental costs related to Nokia Siemens Networks. Our operating margin was 13.3% in 2006 compared with 13.6% in 2005.

Results by Segments

Mobile Phones

The following table sets forth selective line items and the percentage of net sales that they represent for the Mobile Phones business group for the fiscal years 2006 and 2005.

	Year Ended December 31, 2006	Percentage of Net Sales	Year Ended December 31, 2005	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	24 769	100.0%	20 811	100.0%	19%
Cost of sales	(17 489)	(70.6)%	(14 331)	(68.9)%	22%
Gross profit	7 280	29.4%	6 480	31.1%	12%
Research and development expenses	(1 227)	(5.0)%	(1 245)	(6.0)%	(1)%
Selling and marketing expenses	(1 649)	(6.6)%	(1 541)	(7.4)%	7%
Administrative and general expenses	(79)	(0.3)%	(68)	(0.3)%	16%
Other operating income and expenses	(225)	(0.9)%	(28)	(0.1)%	
Operating profit	4 100	16.6%	3 598	17.3%	14%

Mobile Phones business group 2006 net sales increased 19% to EUR 24 769 million compared with EUR 20 811 million in 2005. At constant currency, Mobile Phones business group net sales would have increased by 15%. Net sales growth was driven by strong volume growth, especially in the entry level, and our ability to capture incremental volumes with our competitive entry-level product portfolio and strong logistics. Volume growth was partially offset by declining ASPs. Net sales increased in all areas and were strongest in Latin America, followed by Asia-Pacific, China, Europe, Middle East & Africa and North America.

Mobile Phones 2006 gross profit was EUR 7 280 million compared with EUR 6 480 million in 2005. This represented a gross margin of 29.4% in 2006 compared with a gross margin of 31.1% in 2005. This decline in gross margin reflected a higher proportion of sales of lower priced entry level phones, driven by strong demand in emerging markets where our share is high and also a lack of broad acceptance of certain high-end products in our portfolio.

Mobile Phones 2006 R&D expenses decreased by 1% to EUR 1 227 million compared with EUR 1

245 million in 2005. In 2006, R&D expenses represented 5.0% of Mobile Phones net sales compared with 6.0% of its net sales in 2005. The decrease reflected effective operating expense control.

In 2006, Mobile Phones selling and marketing expenses increased by 7% to EUR 1 649 million as a result of increased sales and marketing spend to support new product introductions, compared with EUR 1 541 million in 2005. In 2006, selling and marketing expenses represented 6.6% of Mobile Phones net sales compared with 7.4% of its net sales in 2005. This reflected improved productivity due to effective cost control on selling and marketing expenses.

Other operating income and expenses in 2006 included EUR 142 million of charges primarily related to the restructuring of our CDMA business and associated asset write-downs. Working together with co-development partners, Nokia intends to selectively participate in key CDMA markets, with a special focus on North America, China and India. Accordingly, Nokia is ramping down its CDMA research, development and production, which will cease by April 2007.

In 2006, Mobile Phones operating profit increased 14% to EUR 4 100 million compared with EUR 3 598 million in 2005, with a 16.6% operating margin, down from 17.3% in 2005. The increase in operating profit was driven by strong net sales and effective operating expense control. Operating profit was negatively impacted by a lack of broad acceptance of certain high-end products in our portfolio.

Multimedia

The following table sets forth selective line items and the percentage of net sales that they represent for the Multimedia business group for the fiscal years 2006 and 2005.

	Year Ended December 31, 2006	**Percentage of Net Sales**	**Year Ended December 31, 2005**	**Percentage of Net Sales**	**Percentage Increase/ (Decrease)**
	(EUR millions, except percentage data)				
Net sales	7 877	100.0%	5 981	100.0%	32%
Cost of sales	(4 800)	(60.9)%	(3 492)	(58.4)%	37%
Gross profit	3 077	39.1%	2 489	41.6%	24%
Research and development expenses	(902)	(11.5)%	(860)	(14.4)%	5%
Selling and marketing expenses	(780)	(9.9)%	(705)	(11.8)%	11%
Administrative and general expenses	(45)	(0.6)%	(38)	(0.6)%	18%
Other operating income and expenses	(31)	(0.4)%	(50)	(0.8)%	38%
Operating profit	1 319	16.7%	836	14.0%	58%

Multimedia business group 2006 net sales increased 32% to EUR 7 877 million compared with EUR 5 981 million in 2005. At constant currency, Multimedia net sales would have increased 27% in 2006. Net sales were driven by a robust overall device market supporting sales of more than 16 million Nokia Nseries multimedia computers during the year, led by the Nokia N70 and Nokia N73. Net sales growth was strongest in China followed by Asia-Pacific, Latin America, Middle East & Africa and Europe. Multimedia net sales declined in North America and continued at a low level in 2006.

Multimedia 2006 gross profit increased by 24% to EUR 3 077 million compared with EUR 2 489 million in 2005. This represented a gross margin of 39.1% in 2006 compared with a gross margin of 41.6% in 2005. The increase in gross profit was a result of the growth of the business but lower than the growth in net sales. The gross margin declined primarily due to the price pressure in the market and more expensive product concepts.

Multimedia 2006 R&D expenses were EUR 902 million compared with EUR 860 million in 2005, representing 11.5% of Multimedia net sales in 2006 compared with 14.4% of its net sales in 2005. A restructuring charge of EUR 15 million was recorded in 2005 as a result of more focused R&D activities.

In 2006, Multimedia s selling and marketing expenses increased by 11% to EUR 780 million as a result of increase in marketing and advertising expenses primarily due to the launch of new products and growth of the business. Selling and marketing expenses were EUR 705 million in 2005. In 2006, selling and marketing expenses represented 9.9% of Multimedia s net sales compared with 11.8% of its net sales in 2005. This reflected improved productivity due to effective cost control on selling and marketing expenses.

In 2005, other operating income and expenses included a gain of EUR 19 million related to the divesture of the Group s Tetra business.

Multimedia 2006 operating profit increased 58% to EUR 1 319 million compared with EUR 836 million in 2005, with an operating margin of 16.7% in 2006, up from 14.0% in 2005. The increase in operating profit reflected the increase in sales of our Multimedia products and effective operating expense control.

Enterprise Solutions

The following table sets forth selective line items and the percentage of net sales that they represent for the Enterprise Solutions business group for the fiscal years 2006 and 2005.

	Year Ended December 31, 2006	**Percentage of Net Sales**	**Year Ended December 31, 2005**	**Percentage of Net Sales**	**Percentage Increase/ (Decrease)**
	(EUR millions, except percentage data)				
Net sales	1 031	100.0%	861	100.0%	20%
Cost of sales	(582)	(56.5)%	(459)	(53.3)%	(27)%
Gross profit	449	43.5%	402	46.7%	12%
Research and development expenses	(319)	(30.9)%	(329)	(38.2)%	(3)%
Selling and marketing expenses	(306)	(29.7)%	(221)	(25.7)%	38%
Administrative and general expenses	(75)	(7.3)%	(74)	(8.6)%	1%
Other operating income and expenses	(7)	(0.6)%	(36)	(4.2)%	(81)%
Operating profit	(258)	(25.0)%	(258)	(30.0)%	

Enterprise Solutions business group 2006 net sales increased 20% to EUR 1 031 million compared with EUR 861 million in 2005. At constant currency, Enterprise Solutions net sales would have increased 17% in 2006. Net sales growth was highest in China, North America, Europe, Latin America and Asia-Pacific. Net sales declined in Middle East & Africa. The Nokia Eseries sold almost 2 million units since its introduction in the second quarter 2006.

In Enterprise Solutions, gross profit increased by 12% to EUR 449 million as a result of the growth of the business, compared with EUR 402 million in 2005. This represented a gross margin of 43.5% in 2006 compared with a gross margin of 46.7% in 2005.

In Enterprise Solutions, R&D expenses in 2006 decreased by 3% to EUR 319 million due to effective cost control. R&D expenses in 2005 were EUR 329 million. R&D expenses represented 30.9% of Enterprise Solutions net sales in 2006 and 38.2% of its net sales in 2005.

In 2006, Enterprise Solutions selling and marketing expenses increased by 38% to EUR 306 million reflecting increased sales and marketing spend primarily due to the launch of new Eseries products.

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Selling and marketing expenses were EUR 221 million in 2005. In 2006, selling and marketing expenses represented 29.7% of Enterprise Solutions net sales and 25.7% of its net sales in 2005.

Other operating income and expenses included restructuring charge for personnel expenses primarily related to headcount reductions of EUR 8 million in 2006 and EUR 29 million in 2005.

Enterprise Solutions operating loss of EUR 258 million was flat in 2006 compared to 2005, with an operating margin of (25.0)% in 2006 and an operating margin of (30.0)% in 2005. In 2006, higher net sales and effective operating cost control were offset by the negative impact of a mix shift to lower-end products.

Networks

The following table sets forth selective line items and the percentage of net sales that they represent for the Networks business group for the fiscal years 2006 and 2005.

	Year Ended December 31, 2006	**Percentage of Net Sales**	**Year Ended December 31, 2005**	**Percentage of Net Sales**	**Percentage Increase/ (Decrease)**
	(EUR millions, except percentage data)				
Net sales	7 453	100.0%	6 557	100.0%	14%
Cost of Sales	(4 910)	(65.9)%	(3 967)	(60.5)%	24%
Gross profit	2 543	34.1%	2 590	39.5%	(2)%
Research and development expenses	(1 180)	(15.8)%	(1 170)	(17.8)%	1%
Selling and marketing expenses	(544)	(7.3)%	(475)	(7.3)%	15%
Administrative and general expenses	(245)	(3.3)%	(211)	(3.2)%	16%
Other income and expenses	234	3.1%	121	1.8%	93%
Operating profit	808	10.8%	855	13.0%	(5)%

Networks business group 2006 net sales increased 14% to EUR 7 453 million compared with EUR 6 557 million in 2005. At constant currency, Networks business group net sales would have increased 12% in 2006. Strong net sales growth in Middle East & Africa, Asia-Pacific, China and Latin America was partially offset by net sales decline in North America and Europe. Net sales growth for Networks was especially strong in the emerging markets, like India, where the market continued its robust growth and where Nokia estimates it gained market share.

In Networks, gross profit decreased by 2% to EUR 2 543 million, compared with EUR 2 590 million in 2005, primarily due to pricing pressure and our ongoing push into markets where, historically, we have not had a presence as well as investments in the growing network services market, which generally has lower gross margins than equipment sales. This represented a gross margin of 34.1% in 2006 compared with a gross margin of 39.5% in 2005.

In Networks, R&D expenses increased 1% to EUR 1 180 million compared with EUR 1 170 million in 2005. In 2006, R&D expenses represented 15.8% of Networks net sales compared with 17.8% in 2005.

In 2006, Networks selling and marketing expenses increased by 15% to EUR 544 million compared with EUR 475 million in 2005 in line with the overall net sales growth. Selling and marketing expenses represented 7.3% of Networks net sales in 2006 and 2005.

In 2006, other operating income included a gain of EUR 276 million representing our share of the proceeds from the Telsim sale. In 2005, other operating income and expenses included a gain of EUR 42 million related to the divesture of the Group s Tetra business and EUR 18 million gain related to the partial sale of a minority investment.

Networks 2006 operating profit decreased to EUR 808 million from EUR 855 million in 2005. Networks operating profit included the negative impact of EUR 39 million incremental costs related to Nokia Siemens Networks. The business group s operating margin for 2006 was 10.8% compared with 13.0% in 2005. The lower operating profit primarily reflected pricing pressure and our efforts to gain market share, a greater proportion of sales from the emerging markets and a higher share of service sales.

Common Group Expenses

Common Group expenses totaled EUR 481 million in 2006 compared with EUR 392 million in 2005. In 2005, this included a EUR 45 million gain for real estate sales.

Net Financial Income

Net financial income totaled EUR 207 million in 2006 compared with EUR 322 million in 2005. Net financial income included a EUR 57 million gain from the sale of the remaining France Telecom bond in 2005. Interest income decreased as a result of a lower level of cash and other liquid assets due to higher share buybacks. Above mentioned lower gains and lower interest income were the main reasons for lower net financial income in 2006 than in 2005.

The net debt to equity ratio was negative (68%) at December 31, 2006 compared with a net debt to equity ratio of (77%) at December 31, 2005. See Item 5.B Liquidity and Capital Resources below.

Profit Before Taxes

Profit before tax and minority interests increased 15% to EUR 5 723 million in 2006 compared with EUR 4 971 million in 2005. Taxes amounted to EUR 1 357 million and EUR 1 281 million in 2006 and 2005, respectively. In 2006, taxes include received and accrued tax refunds from previous years of EUR 84 million compared with EUR 48 million in 2005. The effective tax rate decreased to 23.7% in 2006 compared with 25.8% in 2005, due to mix of foreign earnings.

Minority Interests

Minority shareholders interest in our subsidiaries profits totaled EUR 60 million in 2006 compared with EUR 74 million in 2005.

Net Profit and Earnings per Share

Net profit in 2006 totaled EUR 4 306 million compared with EUR 3 616 million in 2005, representing a year-on-year increase in net profit of 19% in 2006. Earnings per share in 2006 increased to EUR 1.06 (basic) and 1.05 (diluted) compared with EUR 0.83 (basic and diluted) in 2005.

Related Party Transactions

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

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

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

Exchange Rates

Our business and results of operations are from time to time affected by changes in exchange rates, particularly between the euro and other currencies such as the US dollar, the Chinese yuan, the UK pound sterling and the Japanese yen. See Item 3.A Selected Financial Data Exchange Rate Data. Foreign currency denominated assets and liabilities, together with highly probable purchase and sale commitments, give rise to foreign exchange exposure. In general, depreciation of another currency

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relative to the euro has an adverse effect on our sales and operating profit, while appreciation of another currency relative to the euro has a positive effect, with the exception of Japanese yen, being the only significant foreign currency in which we have more purchases than sales.

During 2007, the US dollar depreciated by approximately 9.1% against the euro (measured by the average rate used to record transactions in foreign currency for accounting purposes for the year compared to average rate for the previous year). During 2006 the US dollar appreciated by approximately 0.7% and during 2005 the US dollar depreciated by approximately 1.7%. The change in value of the US dollar had a negative impact on our operating profit in 2007 and a slight positive impact in 2006 and slight negative impact in 2005. During 2007, the Chinese yuan depreciated by approximately 4.2% against the euro. During 2006 the Chinese Yuan appreciated by approximately 3.3% and during 2005 the Chinese Yuan depreciated by approximately 0.8%. The change in value of the Chinese Yuan had a negative impact on our operating profit in 2007 and 2005 and a slight positive impact in 2006. During 2007 and 2006, the UK pound sterling appreciated by approximately 0.1% and 0.3% against the euro, respectively. During 2005, the UK pound depreciated by approximately 0.5%. The change in value of the UK pound sterling had a slightly positive impact on our net sales expressed in euros as well as operating profit in 2007 and 2006 and a slight negative impact in 2005. During 2007, 2006 and 2005, the Japanese yen depreciated by approximately 10.6%, 6.0% and 1.6%, respectively against the euro. The change in value of the Japanese yen had a positive impact on our operating profit in 2007 and a slightly positive impact in 2006 and 2005. To mitigate the impact of changes in exchange rates on net sales, average product cost as well as operating profit, we hedge all material transaction exposures on a gross basis.

Our balance sheet is also affected by the translation into euro for financial reporting purposes of the shareholders equity of our foreign subsidiaries that are denominated in currencies other than the euro. In general, this translation increases our shareholders equity when the euro depreciates, and affects shareholders equity adversely when the euro appreciates against the relevant other currencies (year-end rate to previous year-end rate).

For a discussion on the instruments used by Nokia in connection with our hedging activities, see Note 35 to our consolidated financial statements included in Item 18 of this Form 20-F. See also Item 3.D Risk Factors Our sales, costs and results of operations are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Chinese yuan, the UK pound sterling and the Japanese yen as well as certain other currencies.

5.B Liquidity and Capital Resources

At December 31, 2007, our cash and other liquid assets (bank and cash; available-for-sale investments, cash equivalents; and available-for-sale investments, liquid assets) increased to EUR 11 753 million, compared with EUR 8 537 million at December 31, 2006, primarily as a result of increased profitability as well as a result of a decline in cash used in financial activities partly offset with an increase in cash used in investing activities.

Cash and cash equivalents increased to EUR 6 850 million compared with EUR 3 525 million at December 31, 2006. We hold our cash and cash equivalents predominantly in euros. Cash and cash equivalents totaled EUR 3 058 million at December 31, 2005.

Net cash from operating activities was EUR 7 882 million in 2007 compared with EUR 4 478 million in 2006, and EUR 4 144 million in 2005. In 2007, net cash from operating activities increased primarily due to an increase in cash generated from operations partly offset by increased amount of income taxes paid. In 2006, net cash generated from operating activities increased primarily due to an increase in cash generated from operations and lower income taxes paid. Taxes paid in 2006 included tax refunds of EUR 52 million.

Net cash used in investing activities in 2007 was EUR 710 million compared with net cash from investing activities of EUR 1 006 million in 2006, and net cash from investing activities of EUR 1 844 million in 2005. Cash flow from investing activities in 2007 included purchases of current available-for-sale investments, liquid assets of EUR 4 798 million, compared with EUR 3 219 million in 2006 and EUR 7 277 million in 2005. Net cash from acquisitions of group companies due to acquired cash in an otherwise non-cash transaction was EUR 253 million in 2007 compared with EUR 517 million net cash used in acquisitions of Group companies in 2006 and EUR 92 million in 2005. Additions to capitalized R&D expenses totaled EUR 157 million, representing an increase compared with EUR 127 million in 2006 and EUR 153 million in 2005. Long-term loans made to customers increased to EUR 261 million in 2007, compared with EUR 11 million in 2006 and EUR 56 million in 2005. Net cash from investing activities in 2006 included EUR 276 million relating recovery of impaired long-term loans made to customers. Capital expenditures for 2007 were EUR 715 million compared with EUR 650 million in 2006 and EUR 607 million in 2005. Major items of capital expenditure included production lines, test equipment and computer hardware used primarily in research and development, office and manufacturing facilities as well as services and software related intangible assets. Proceeds from maturities and sale of current available-for-sale investments, liquid assets, decreased to EUR 4 930 million, compared with EUR 5 058 million in 2006, and EUR 9 402 million in 2005.

Net cash used in financing activities decreased to EUR 3 832 million in 2007 compared with EUR 4 966 million in 2006, primarily as a result of increase in proceeds from stock options exercises of EUR 941 million and in proceeds from short-term borrowings of EUR 798 million offset by an increase in the purchases of treasury shares with EUR 448 million during 2007. Net cash used in financing activities decreased to EUR 4 966 million in 2006 compared with EUR 5 570 million in 2005, primarily as a result of a decrease in the purchases of treasury shares with EUR 887 million during 2006. Dividends paid increased to EUR 1 760 million in 2007 compared with EUR 1 553 million in 2006 and EUR 1 531 million in 2005.

At December 31, 2007, we had EUR 203 million in long-term interest-bearing liabilities and EUR 1 071 million in short-term borrowings, offset by EUR 11 753 million in cash and other liquid assets, resulting in a net liquid assets balance of EUR 10 479 million, compared with EUR 8 221 million at the end of 2006. For further information regarding our long-term liabilities, see Note 23 to our consolidated financial statements included in Item 18 of this annual report. Our ratio of net interest-bearing debt, defined as short-term and long-term debt less cash and other liquid assets, to equity, defined as shareholders equity and minority interests, was negative 61%, negative 68% and negative 77% at December 31, 2007, 2006 and 2005, respectively.

Our Board of Directors has proposed a dividend of EUR 0.53 per share for the year ended December 31, 2007, subject to shareholders approval, compared with EUR 0.43 and EUR 0.37 per share paid for the years ended December 31, 2006 and 2005, respectively. See Item 3.A Selected Financial Data Distribution of Earnings.

We have no potentially significant refinancing requirements in 2008. We expect to incur additional indebtedness from time to time as required to finance acquisitions and working capital needs. We plan to finance the pending acquisition of NAVTEQ with a combination of cash and debt. At December 31, 2007, Nokia had a USD 500 million US Commercial Paper, or USCP, program, a USD 500 million Euro Commercial Paper, or ECP, program and a EUR 3 000 million Euro Medium Term Note, or EMTN program. In addition, at the same date, we had a Finnish local commercial paper program totaling EUR 750 million. At December 31, 2007, we also had committed credit facilities of USD 2 000 million maturing in 2008, EUR 500 million maturing in 2011, USD 2 000 million maturing in 2012, and a number of short-term uncommitted facilities.

We have historically maintained a high level of liquid assets. Management estimates that the cash and other liquid assets level of EUR 11 753 million at the end of 2007, together with our available credit facilities, cash flow from operations, funds available from long-term and short-term debt financings, as well as the proceeds of future equity or convertible bond offerings, will be sufficient to satisfy our future working capital needs, capital expenditure, research and development, acquisitions and debt

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service requirements at least through 2008. The ratings of our short and long-term debt from credit rating agencies have not changed during the year. The ratings at December 31, 2007, were:

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

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

We primarily invest in research and development, marketing and building the Nokia brand. However, over the past few years Nokia has increased its investment in services and software by acquiring companies with specific technology assets. In 2007, capital expenditures totaled EUR 715 million compared with EUR 650 million in 2006 and EUR 607 million in 2005. The increase in 2007 resulted from increased amount of capital expenditures in machinery and equipment to support our growing volumes and increased investment in services and software related intangible assets. Principal capital expenditures during the three years included production lines, test equipment and computer hardware used primarily in research and development as well as office and manufacturing facilities. We expect the amount of capital expenditures during 2008 to be approximately EUR 900 million, and to be funded from our cash flow from operations.

Structured Finance

Structured Finance includes customer financing and other third party financing. Network operators in some markets sometimes require their suppliers, including us, to arrange or provide long-term financing as a condition to obtaining or bidding on infrastructure projects. Customer financing continues to be requested by some of our customers in some markets. Extended payment terms may continue to result in a material aggregate amount of trade credits, but the associated risk is mitigated by the fact that the portfolio relates to a variety of customers. See Item 3.D Risk Factors Providing customer financing or extending payment terms to customers can be a competitive requirement and could have a material adverse effect on our results of operations and financial condition.

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

Structured Finance

	At December 31,		
	2007	**2006**	**2005**
	(EUR millions)		
Financing commitments	270	164	13
Outstanding long-term loans (net of allowances and write-offs)	10	19	63
Current portion of outstanding long-term loans (net of allowances and write-offs)	156		
Outstanding financial guarantees and securities pledged	130	23	
Total	566	206	63

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

In 2006, our total structured financing, outstanding and committed, increased to EUR 206 million

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from EUR 63 million in 2005 and primarily consisted of committed financing to a network operator. Financial guarantees given on behalf of third parties of EUR 23 million were issued during 2006.

In 2005, our total structured financing primarily consisted of the funding of the EUR 56 million 2004 financing commitment to a network operator. The committed financing in 2005 of an additional EUR 13 million to this network did not increase our total and outstanding credit risk from EUR 63 million, as it was available only if the outstanding loan of EUR 56 million was repaid.

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

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

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

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

The following table sets forth the amounts of our contingent commitments for the periods indicated. The amounts represent the maximum principal amount of commitments.

Contingent Commitments Expiration Per Period

	2008	2009-2010	2011-2012	Thereafter	Total
			(EUR millions)		
Guarantees of Nokia s performance	1 417	737	74	201	2 429
Financial guarantees and securities pledged on behalf of third parties	128	2			130
Total	1 545	739	74	201	2 559

Guarantees of Nokia s performance include EUR 2 429 million of guarantees that are provided to certain Nokia Siemens Networks customers in the form of bank guarantees, standby letters of credit and other similar instruments. These instruments entitle the customer to claim payment as compensation for non-performance by Nokia of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is payable either immediately upon request, or subject to independent verification of non-performance by Nokia.

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

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

5.C Research and Development, Patents and Licenses

Success in the mobile communications industry requires continuous introduction of new products and solutions based on the latest available technology. This places considerable demands on our research and development, or R&D activities. Consequently, in order to maintain our competitiveness, we have made substantial R&D expenditures in each of the last three years. Our consolidated R&D expenses for 2007 were EUR 5 647 million, an increase of 45% from EUR 3 897 million in 2006. The increase in R&D spending was primarily due to the formation of Nokia Siemens Networks, which added Siemens carrier-related operations and associated R&D expenses. R&D expenses in 2005 were EUR 3 825 million. These expenses represented 11.1%, 9.5% and 11.2% of Nokia net sales in 2007, 2006 and 2005, respectively. In 2007, R&D expenses increased in Mobile Phones, Multimedia and Nokia Siemens Networks and decreased in Enterprise Solutions. In 2007, Nokia Siemens Networks incurred a restructuring charge of EUR 439 million related to R&D activities. In 2005, Multimedia incurred a restructuring charge of EUR 15 million related to R&D activities.

To enable our future growth, we continued to improve the efficiency of our worldwide R&D network and increased our collaboration with third parties. At December 31, 2007, we employed 30 415 people in R&D, representing approximately 27% of our total workforce, and had a strong research and development presence in 10 countries. R&D expenses of Mobile Phones as a percentage of its net sales were 5.1% in 2007 compared with 5.0% in 2006 and 6.0% in 2005. In Multimedia, R&D expenses as a percentage of its net sales were 9.6% in 2007 compared with 11.5% in 2006 and 14.4% in 2005. R&D expenses of Enterprise Solutions as a percentage of its net sales were 13.2%, compared with 30.9% in 2006 and 38.2% in 2005. In the case of Nokia Siemens Networks, R&D expenses represented 20.5%, 15.8% and 17.8% of its net sales in 2007, 2006 and 2005, respectively.

In an effort to continue to improve our efficiency, we are targeting an improvement in the ratio of Nokia Group gross margin to R&D expenses in 2008, compared to 2007.

R&D expenses have been higher as percent of net sales for both our former Networks business group and Nokia Siemens Networks than for the Nokia Group. R&D expenses for the device business represented 6.6% of its net sales in 2007, down from 7.1% in 2006, reflecting continued efforts to gain efficiencies in our investments. See Item 4.B Business Overview Nokia Siemens Networks Technology, Research and Development and Nokia Siemens Networks Patents and Licenses.

5.D Trends information

See Item 5.A Operating Results Overview for information on material trends affecting our business and results of operations.

5.E Off-Balance Sheet Arrangements

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

5.F Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations for the periods indicated.

Contractual Obligations Payments Due by Period

	2008	2009-2010	2011-2012	Thereafter	Total
			(EUR millions)		

Long-term liabilities	173	41	106	175	495
Operating leases	281	375	213	129	998
Inventory purchases	2 454	114	42		2 610
Total	2 908	530	361	304	4 103

Benefit payments related to the underfunded domestic and foreign defined benefit plan is not

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expected to be material in any given period in the future. Therefore, these amounts have not been included in the table above for any of the years presented.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A Directors and Senior Management

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

Board of Directors

The current members of the Board of Directors were elected at the Annual General Meeting on May 3, 2007, in accordance with the proposal of the Corporate Governance and Nomination Committee of the Board of Directors. On the same date, the Chair and Vice Chair of the Board of Directors, as well as the Chairs and members of the committees of the Board, were elected by the members of the Board of Directors.

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

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

Chairman Jorma Ollila, b. 1950

Chairman of the Board of Directors of Nokia Corporation. Chairman of the Board of Directors of Royal Dutch Shell Plc. Board member since 1995. Chairman since 1999.

Master of Political Science (University of Helsinki), Master of Science (Econ.) (London School of Economics), Master of Science (Eng.) (Helsinki University of Technology).

Chairman and CEO, Chairman of the Group Executive Board of Nokia Corporation 1999-2006, President and CEO, Chairman of the Group Executive Board of Nokia Corporation 1992-1999, President of Nokia Mobile Phones 1990-1992, Senior Vice President, Finance of Nokia 1986-1989. Holder of various managerial positions at Citibank within corporate banking 1978-1985.

Member of the Board of Directors of Ford Motor Company, Vice Chairman of the Board of Directors of UPM-Kymmene Corporation (until March 26, 2008), Vice Chairman of the Board of Directors of Otava Books and Magazines Group Ltd and member of the Board of Directors of Fruugo Inc. Chairman of the Boards of Directors and the Supervisory Boards of The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA. Chairman of The European Round Table of Industrialists. Vice Chairman of the Independent Reflection Group of the Council of the European Union considering the future of the European Union.

Vice Chair Dame Marjorie Scardino, b. 1947	*Chief Executive and member of the Board of Directors of Pearson plc. Board member since 2001.* B.A. (Baylor University), J.D. (University of San Francisco).

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	Chief Executive of The Economist Group 1993-1997, President of the North American Operations of The Economist Group 1985-1993, lawyer 1976-1985 and publisher of The Georgia Gazette newspaper 1978-1985.
Georg Ehrnrooth, b. 1940	*Board member since 2000.* Master of Science (Eng.) (Helsinki University of Technology). President and CEO of Metra Corporation 1991-2000, President and CEO of Lohja Corporation 1979-1991. Holder of various executive positions at Wärtsilä Corporation within production and management 1965-1979. Chairman of the Board of Directors of Sampo Plc., member of the Board of Directors of Oy Karl Fazer Ab and Sandvik AB (publ). Vice Chairman of the Boards of Directors of The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA.
Lalita D. Gupte, b. 1948	*Non-executive Chairman of the ICICI Venture Funds Management Co Ltd.* *Board member since May 3, 2007.* B.A. in Economics (University of Delhi) and Master of Management Studies (University of Bombay). Joint Managing Director of ICICI Bank Limited 1999-2006, Deputy Managing Director of ICICI Bank 1996-1999, Executive Director on the Board of Directors of ICICI Limited 1994-1996. Various leadership positions in Corporate and Retail Banking, Strategy and Resources, and International Banking in ICICI Limited and subsequently in ICICI Bank Ltd since 1971. Member of the Board of Directors of Bharat Forge Ltd, Kirloskar Brothers Ltd, FirstSource Solutions Ltd, Godrej Properties Ltd, HPCL-Mittal Energy Ltd. and a non-profit micro-finance institution. Member of the Board of Management of SVKM s NMIMS University.
Dr. Bengt Holmström, b. 1949	*Paul A. Samuelson Professor of Economics at MIT, joint appointment at the MIT Sloan School of Management.* *Board member since 1999.* Bachelor of Science (Helsinki University), Master of Science (Stanford University), Doctor of Philosophy (Stanford University). Edwin J. Beinecke Professor of Management Studies at Yale University 1985-1994. Member of the Board of Directors of Kuusakoski Oy. Member of the American Academy of Arts and Sciences and Foreign Member of The Royal Swedish Academy of Sciences.

Prof. Dr. Henning Kagermann, b. 1947	*CEO and Chairman of the Executive Board of SAP AG.* *Board member since May 3, 2007.* Ph.D. in Theoretical Physics (Technical University of Brunswick).

	Co-chairman of the Executive Board of SAP 1998-2003. A number of leadership positions in SAP since 1982. Member of SAP Executive Board since 1991. Taught physics and computer science at the Technical University of Brunswick and the University of Mannheim 1980-1992, became professor in 1985. Member of the Supervisory Boards of Deutsche Bank AG and Münchener Rückversicherungs-Gesellschaft AG (Munich Re). Member of the Honorary Senate of the Foundation Lindau Nobelprizewinners.
Olli-Pekka Kallasvuo, b. 1953	*President and CEO of Nokia Corporation.* *Board member since May 3, 2007.* LL.M. (University of Helsinki). President and COO of Nokia Corporation 2005-2006, Executive Vice President and General Manager of Nokia Mobile Phones 2004-2005, Executive Vice President, CFO of Nokia 1999-2003, Executive Vice President of Nokia Americas and President of Nokia Inc. 1997-1998, Executive Vice President, CFO of Nokia 1992-1996, Senior Vice President, Finance of Nokia 1990-1991. Member of the Board of Directors of EMC Corporation. Chairman of the Board of Directors of Nokia Siemens Networks B.V.
Per Karlsson, b. 1955	*Independent Corporate Advisor.* *Board member since 2002.* Degree in Economics and Business Administration (Stockholm School of Economics). Executive Director, with mergers and acquisitions advisory responsibilities, at Enskilda M&A, Enskilda Securities (London) 1986-1992. Corporate strategy consultant at the Boston Consulting Group (London) 1979-1986. Member of the Board of Directors of IKANO Holdings S.A.
Keijo Suila, b. 1945	*Board member since 2006.* B.Sc. (Economics and Business Administration) (Helsinki University of Economics and Business Administration). President and CEO of Finnair Oyj 1999-2005. Chairman of oneworld airline alliance 2003-2004 and member of various international aviation and air transportation associations 1999-2005. Holder of various executive positions, including Vice Chairman and Executive Vice President, at Huhtamäki Oyj, Leaf Group and Leaf Europe 1985-1998.

	Vice Chairman of the Board of Directors of Kesko Corporation. Member of the Board of Directors of The Finnish Fair Corporation.
Vesa Vainio, b. 1942	*Board member since 1993.*
	LL.M. (University of Helsinki).
	Chairman 1998-1999 and 2000-2002 and Vice Chairman 1999-2000 of the Board of Directors of Nordea AB (publ).

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	Chairman of the Executive Board and CEO of Union Bank of Finland 1992-1995 and Merita Bank Ltd and CEO of Merita Ltd 1995-1997. President of Kymmene Corporation 1991-1992. Holder of various other executive positions in Finnish industry 1972-1991. Chairman of the Board of Directors of UPM-Kymmene Corporation until March 26, 2008.

Daniel R. Hesse was re-elected as a Nokia Board member in the Annual General Meeting on May 3, 2007. Due to his resignation from the Board of Directors after being appointed as President and CEO of Sprint Nextel Corporation, Nokia announced on December 28, 2007 that its Board consisted of the above-mentioned ten members.

Proposal of the Corporate Governance and Nomination Committee of the Board

On January 24, 2008, the Corporate Governance and Nomination Committee announced its proposal to the Annual General Meeting convening on May 8, 2008 regarding the composition of the members of the Board of Directors for a one-year term ending at the next Annual General Meeting. The Corporate Governance and Nomination Committee will propose to the Annual General Meeting that the number of Board members be ten and that the following persons be re-elected for a one-year term until the close of the Annual General Meeting in 2009: Georg Ehrnrooth, Lalita D. Gupte, Dr. Bengt Holmström, Dr. Henning Kagermann, Olli-Pekka Kallasvuo, Per Karlsson, Jorma Ollila, Dame Marjorie Scardino and Keijo Suila. Vesa Vainio, member of the Board since 1993, will not stand for re-election to the Board of Directors. Moreover, the Committee will propose that Risto Siilasmaa would be elected as a new member of the Board for the term from the Annual General Meeting in 2008 until the close of the Annual General Meeting in 2009. Mr. Siilasmaa is a founder of F-Secure Corporation, which provides security services protecting consumers and businesses against computer viruses and other threats from the Internet and mobile networks. Mr. Siilasmaa is the Chairman of the Board of Directors of F-Secure Corporation, a member of the Board of Directors of Elisa Corporation and a Chairman or member of the Board of Directors of various private companies. He is also Vice Chairman of the Board of the Technology Industries of Finland.

Group Executive Board

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

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

Chairman Olli-Pekka Kallasvuo, b. 1953	*President and CEO of Nokia Corporation.* *Group Executive Board member since 1990, Chairman since 2006. With Nokia 1980-1981, rejoined 1982.* LL.M. (University of Helsinki). President and COO of Nokia Corporation 2005-2006, Executive Vice President and General Manager of Nokia Mobile Phones 2004-2005, Executive Vice President, CFO of Nokia 1999-2003, Executive Vice President of Nokia Americas and President of Nokia Inc. 1997-1998, Executive Vice President, CFO of Nokia 1992-1996, Senior Vice

President, Finance of Nokia 1990-1991.

	Member of the Board of Directors of Nokia Corporation and EMC Corporation. Chairman of the Board of Directors of Nokia Siemens Networks B.V.
Robert Andersson, b. 1960	*Executive Vice President, Devices Finance, Strategy and Strategic Sourcing.* *Group Executive Board member since 2005.* *Joined Nokia in 1985.*
	Master of Business Administration (George Washington University), Master of Science (Economics and Business Administration) (Swedish School of Economics and Business Administration, Helsinki).
	Executive Vice President of Customer and Market Operations 2005-2007, Senior Vice President of Customer and Market Operations, Europe, Middle East and Africa 2004-2005, Senior Vice President of Nokia Mobile Phones in Asia-Pacific 2001-2004, Vice President of Sales for Nokia Mobile Phones in Europe and Africa 1998-2001. Various managerial positions within Nokia Mobile Phones, Nokia Consumer Electronics and Nokia Data 1985-1998.
Simon Beresford-Wylie, b. 1958	*Chief Executive Officer, Nokia Siemens Networks.* *Group Executive Board member since 2005.* *Joined Nokia 1998.*
	Bachelor of Arts (Economic Geography and History) (Australian National University).
	Executive Vice President and General Manager of Networks 2005-2007. Senior Vice President of Nokia Networks, Asia-Pacific 2003-2004, Senior Vice President, Customer Operations of Nokia Networks 2002-2003, Vice President, Customer Operations of Nokia Networks 2000-2002, Managing Director of Nokia Networks in India and Area General Manager, South Asia 1999-2000, Regional Director of Business Development, Project and Trade Finance of Nokia Networks, Asia-Pacific 1998-1999, Chief Executive Officer of Modi Telstra, India 1995-1998, General Manager, Banking and Finance, Corporate and Government business unit of Telstra Corporation 1993-1995, holder of executive positions in the Corporate and Government business units of Telstra Corporation 1989-1993, holder of executive, managerial and clerical positions in the Australian Commonwealth Public Service 1982-1989.
	Member of the Board of Directors of the Vitec Group.
Timo Ihamuotila, b. 1966	*Executive Vice President, Sales.* *Group Executive Board member since April 1, 2007.* *With Nokia 1993-1996, rejoined 1999.*

Master of Science (Economics) (Helsinki School of Economics), Licentiate of Science (Finance) (Helsinki School of Economics).

Executive Vice President, Sales and Portfolio Management, Mobile Phones, 2007. Senior Vice President, CDMA Business Unit, Mobile Phones 2004-2007,Vice President, Finance,

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	Corporate Treasurer of Nokia Corporation 2000-2004, Director of Corporate Finance 1999-2000, Vice President of Nordic Derivates Sales, Citibank plc 1996-1999, Manager of Dealing & Risk Management of Nokia 1993-1996, Analyst, Assets and Liability Management, Kansallis Bank 1990-1993.
Mary T. McDowell, b. 1964	*Executive Vice President, Chief Development Officer.* *Group Executive Board member since 2004.* *Joined Nokia 2004.* Bachelor of Science (Computer Science) (College of Engineering at the University of Illinois). Executive Vice President and General Manager of Enterprise Solutions 2004-2007. Senior Vice President, Strategy and Corporate Development of Hewlett-Packard Company 2003, Senior Vice President & General Manager, Industry-Standard Servers of Hewlett-Packard Company 2002-2003, Senior Vice President & General Manager, Industry-Standard Servers of Compaq Computer Corporation 1998-2002, Vice President, Marketing, Server Products Division of Compaq Computer Corporation 1996-1998. Holder of executive, managerial and other positions at Compaq Computer Corporation 1986-1996.
Hallstein Moerk, b. 1953	*Executive Vice President, Human Resources.* *Group Executive Board member since 2004.* *Joined Nokia 1999.* Diplomøkonom (Econ.) (Norwegian School of Management). Holder of various positions at Hewlett-Packard Corporation 1977-1999. Member of the Board of Advisors of Center for HR Strategy, Rutgers University. Fellow of Academy of Human Resources, Class of 2007.
Dr. Tero Ojanperä, b. 1966	*Executive Vice President, Entertainment and Communities.* *Group Executive Board member since 2005.* *Joined Nokia 1990.* Master of Science (University of Oulu), Ph.D. (Delft University of Technology, The Netherlands). Executive Vice President, Chief Technology Officer 2006-2007. Executive Vice President & Chief Strategy Officer 2005-2006, Senior Vice President, Head of Nokia Research Center 2003-2004. Vice President, Research, Standardization and Technology of IP Mobility Networks, Nokia Networks 1999-2002. Vice President, Radio Access Systems Research and General Manager of Nokia Networks in Korea, 1999. Head of Radio Access Systems Research, Nokia Networks 1998-1999, Principal Engineer, Nokia Research Center, 1997-1998.

	A member of Young Global Leaders.
Niklas Savander, b. 1962	*Executive Vice President, Services & Software.* *Group Executive Board Member 2006.* *Joined Nokia 1997.*

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	Master of Science (Eng.) (Helsinki University of Technology), Master of Science (Economics and Business Administration) (Swedish School of Economics and Business Administration, Helsinki). Executive Vice President, Technology Platforms 2006-2007. Senior Vice President and General Manager of Nokia Enterprise Solutions, Mobile Devices Business Unit 2003-2006, Senior Vice President, Nokia Mobile Software, Market Operations 2002-2003, Vice President, Nokia Mobile Software, Strategy, Marketing & Sales 2001-2002, Vice President and General Manager of Nokia Networks, Mobile Internet Applications 2000-2001, Vice President of Nokia Network Systems, Marketing 1997-1998. Holder of executive and managerial positions at Hewlett-Packard Company 1987-1997. Member of the Board of Directors of Nokia Siemens Networks B.V. Vice Chairman of the Board of Directors of Tamfelt Oyj. Member of the Board of Directors and secretary of Waldemar von Frenckells Stiftelse.
Richard A. Simonson, b. 1958	*Executive Vice President, Chief Financial Officer.* *Group Executive Board member since 2004.* *Joined Nokia 2001.* Bachelor of Science (Mining Eng.) (Colorado School of Mines), Master of Business Administration (Finance) (Wharton School of Business at University of Pennsylvania). Vice President & Head of Customer Finance of Nokia Corporation 2001-2003, Managing Director of Telecom & Media Group of Barclays 2001, Head of Global Project Finance and other various positions at Bank of America Securities 1985-2001. Member of the Board of Directors of Nokia Siemens Networks B.V. Member of the Board of Directors of Electronic Arts, Inc. Member of the Board of Trustees of International House New York. Member of US Treasury Advisory Committee on the Auditing Profession.
Veli Sundbäck, b. 1946	*Executive Vice President, Corporate Relations and Responsibility.* *Group Executive Board member since 1996.* *Joined Nokia 1996.* LL.M. (University of Helsinki). Secretary of State at the Ministry for Foreign Affairs 1993-1995, Under-Secretary of State for External Economic Relations at the Ministry for Foreign Affairs 1990-1993. Member of the Board of Directors of Finnair Oyj. Member of the Board and its executive committee, Confederation of Finnish Industries (EK),

Vice Chairman of the Board, Technology Industries of Finland, Vice Chairman of the Board of the International Chamber of Commerce, Finnish Section, Chairman of the Board of the Finland China Trade Association.

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Anssi Vanjoki, b. 1956	*Executive Vice President, Markets.* *Group Executive Board member since 1998.* *Joined Nokia 1991.* Master of Science (Econ.) (Helsinki School of Economics and Business Administration). Executive Vice President and General Manager of Multimedia 2004-2007. Executive Vice President of Nokia Mobile Phones 1998-2003, Senior Vice President, Europe & Africa of Nokia Mobile Phones 1994-1998, Vice President, Sales of Nokia Mobile Phones 1991-1994, 3M Corporation 1980-1991. Chairman of the Board of Directors of Amer Group Plc.
Dr. Kai Öistämö, b. 1964	*Executive Vice President, Devices.* *Group Executive Board Member since 2005.* *Joined Nokia in 1991.* Doctor of Technology (Signal Processing), Master of Science (Engineering) (Tampere University of Technology). Executive Vice President and General Manager of Mobile Phones 2005-2007. Senior Vice President, Business Line Management, Mobile Phones 2004-2005, Senior Vice President, Mobile Phones Business Unit, Nokia Mobile Phones 2002-2003, Vice President, TDMA/GSM 1900 Product Line, Nokia Mobile Phones 1999-2002, Vice President, TDMA Product Line 1997-1999, various technical and managerial positions in Nokia Consumer Electronics and Nokia Mobile Phones 1991-1997. Member of the Board of Directors of the Finnish Funding Agency for Technology and Innovation (Tekes). Chairman of the Research and Technology Committee of the Confederation of Finnish Industries (EK).

6.B Compensation

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

Board of Directors

The following table sets forth the annual remuneration of the members of the Board of Directors based on their positions on the Board and its committees, including the remuneration paid to the

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President and CEO for his duties as the member of the Board of Directors only, as resolved by the respective Annual General Meetings, in 2007, 2006 and 2005.

Position	**2007**	**2006 (EUR)**	**2005**
Chair	375 000	375 000	165 000
Vice Chair	150 000	137 500	137 500
Member	130 000	110 000	110 000
Chair of Audit Committee	25 000	25 000	25 000
Member of Audit Committee	10 000	10 000	10 000
Chair of Personnel Committee	25 000	25 000	25 000
Total	**1 775 000**	**1 472 500**	**1 262 500**

Non-executive members of the Board of Directors do not receive stock options, performance shares, restricted shares or other variable compensation for their duties as Board members. In addition, no meeting fees are payable. However, it is Nokia policy that a significant portion of director remuneration is paid in the form of Nokia shares. Since 1999, approximately 40% of the annual remuneration payable to the members of Board of Directors has been paid in Nokia shares purchased from the market. The President and CEO receives variable compensation for his executive duties, but not for his duties as a member of the Board of Directors, which is described below in Executive Compensation Actual Executive Compensation for 2007 Summary Compensation Table 2007 .

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

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

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Remuneration of the Board of Directors in 2007

For the year ended December 31, 2007, the aggregate remuneration paid to the members of the Board of Directors for their services as members of the Board and its committees, was EUR 1 775 000.

The following table sets forth the total annual remuneration paid to the members of the Board of Directors in 2007, as resolved by the shareholders at the Annual General Meeting on May 3, 2007. For information with respect to the Nokia shares and equity awards held by the members of the Board of Directors, please see Item 6.E Share Ownership below.

	Year	Fees Earned or Paid in Cash (EUR)[1]	Stock Awards (EUR)[2]	Option Awards (EUR)[2]	Non-Equity Incentive Plan Compensation EUR[2]	Change in Pension Value and Nonqualified Deferred Compensation Earnings (EUR)[2]	All Other Compensation (EUR)[2]	Total (EUR)
Jorma Ollila, Chair[3]	2007	375 000						375 000
Marjorie Scardino, Vice Chair[4]	2007	150 000						150 000
Georg Ehrnrooth[5]	2007	155 000						155 000
Lalita D. Gupte[6]	2007	140 000						140 000
Bengt Holmström	2007	130 000						130 000
Olli-Pekka Kallasvuo[7]	2007	130 000						130 000
Henning Kagermann	2007	130 000						130 000
Per Karlsson[8]	2007	155 000						155 000
Keijo Suila[9]	2007	140 000						140 000
Vesa Vainio[10]	2007	140 000						140 000
[11]								

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

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

(3) This table includes remuneration paid to Mr. Ollila, Chairman, for his services as Chairman of the Board. Based on the long-term equity incentives granted earlier to Mr. Ollila pursuant to his prior position as the CEO of Nokia until June 1, 2006, Mr. Ollila received EUR 70 838 for taxable benefit concerning payment of the Finnish transfer tax and related gross-up in respect of settlements under performance and restricted share plans made to all participants of those plans who were Finnish tax residents.

(4) The 2007 fee of Ms. Scardino was paid for her services as Vice Chair of the Board.

(5) The 2007 fee paid to Mr. Ehrnrooth amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Audit Committee.

(6) The 2007 fee paid to Ms. Gupte amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

(7) This table includes remuneration paid to Mr. Kallasvuo, President and CEO, for his services as a member of the Board, only. For the compensation paid for his services as the President and CEO, see Executive Compensation Actual Executive Compensation for 2007 Summary Compensation Table 2007 below.

(8) The 2007 fee paid to Mr. Karlsson amounted to a total of EUR 155 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as Chairman of the Personnel Committee.

(9) The 2007 fee paid to Mr. Suila amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

(10) The 2007 fee paid to Mr. Vainio amounted to a total of EUR 140 000, consisting of a fee of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

(11) Daniel R. Hesse was paid the annual fee of EUR 130 000, prior to his resignation that was announced on December 28, 2007.

Proposal of the Corporate Governance and Nomination Committee of the Board

On January 24, 2008, the Corporate Governance and Nomination Committee of the Board announced that it will propose to the Annual General Meeting to be held on May 8, 2008 that the annual remuneration payable to the Board members to be elected at the same meeting for the term until the close of the Annual General Meeting in 2009 be as follows: EUR 440 000 for the Chairman, EUR 150 000 for the Vice Chairman and EUR 130 000 for each member. In addition, the Corporate Governance and Nomination Committee will propose that the Chairman of the Audit Committee and the Chairman of the Personnel Committee will each receive an additional annual fee of EUR 25 000 and each member of the Audit Committee an additional annual fee of EUR 10 000. Further, the Committee will propose that approximately 40% of the remuneration be paid in Nokia Corporation shares purchased from the market. The proposed remuneration is at the same level as in 2007 except for the Chairman s fee, which would increase to EUR 440 000 from the fee of EUR 375 000 paid in both 2006 and 2007.

Executive Compensation

Executive Compensation Philosophy, Programs and Decision-making Process

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

Our compensation program for executive officers includes:

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

The objectives of our executive compensation programs are to:

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

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

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

The Personnel Committee reviews the executive officers compensation on an annual basis and from time to time during the year, when special needs arise. Without management present, the 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, which is confirmed by the independent members of the Board. Management s role is to provide any information requested by the Personnel Committee to assist in their deliberations.

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

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

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

The above factors are assessed in totality.

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

Components of Executive Compensation

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

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Annual Cash Compensation

Base salaries are targeted at globally competitive market levels.

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

Measurement criteria for the short-term cash incentive plan include those financial objectives that are considered important measures of Nokia s success in driving increased shareholder value. Financial objectives are established which are based on a number of factors and are intended to be stretch targets that, when achieved, we believe, will result in performance that will exceed that of our key competitors in the high technology and telecommunications industries. The target setting, as well as the weighting of each measure, also requires the Personnel Committee s approval. The following table reflects the measurement criteria that are established for the President and CEO and members of the Group Executive Board and the relative weighting of each objective for the year 2007.

Incentive as a % of Annual Base Salary in 2007

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

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

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

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

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

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

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

For more information on the actual cash compensation paid in 2007 to our executive officers, see Actual Executive Compensation for 2007 Summary Compensation Table 2007 below.

Long-Term Equity-Based Incentives

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

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

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

Actual Executive Compensation for 2007

At December 31, 2007, Nokia had a Group Executive Board consisting of 12 members. The only change in the membership of our Group Executive Board during 2007 was the appointment of Timo Ihamuotila as a new member of the Group Executive Board, effective April 1, 2007.

The following tables summarize the aggregate cash compensation paid and the long-term equity-based incentives granted to the members of the Group Executive Board under our equity plans in 2007.

Gains realized upon exercise of stock options and share-based incentive grants vested for the members of the Group Executive Board during 2007 are included in Item 6.E Share Ownership.

Aggregate Cash Compensation to the Group Executive Board for 2007

Year	**Number of Members December 31, 2007**	**Base Salaries[3] EUR**	**Cash Incentive Payments[1][2][3] EUR**
2007	12	5 354 176	8 280 615

(1) Includes payments pursuant to cash incentive arrangements for the 2007 calendar year paid or payable by Nokia for the respective fiscal year. The cash incentives are paid as a percentage of annual base salary based on Nokia s short-term cash incentives.

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

(3) Includes base salary and bonuses to Simon Beresford-Wylie, EVP and General Manager Networks of Nokia for the period until March 31, 2007 and Chief Executive Officer of Nokia Siemens Networks for the remainder of 2007 and to Timo Ihamuotila from April 1, 2007.

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Long-Term Equity-Based Incentives Granted in 2007[1]

	Group Executive Board[3]	Total	Total Number of Participants
Performance Shares at Threshold[2]	286 000	2 163 901	5 300
Stock Options	572 000	3 211 965	2 800
Restricted Shares	390 000	1 749 433	300

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

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

(3) Including Timo Ihamuotila from April 1, 2007.

Summary Compensation Table 2007

and pal on[1]	Year(*)	Salary EUR	Bonus[2] EUR	Stock Awards[3] EUR	Option Awards[3] EUR	Non-Equity Incentive Plan Compensation EUR	Change in Pension Value and Nonqualified Deferred Compensation Earnings(**) EUR	All Other Compensation EUR	Tot EU
ekka Kallasvuo	2007	1 037 619	2 348 877	4 112 581	693 141		956 333(4)(5)	183 603(6)	9 332
ent and CEO	2006	898 413	664 227	1 529 732	578 465		1 496 883(4)	38 960	5 206
	2005	623 524	947 742						
d Simonson nd Chief	2007	488 422	827 333	1 576 376	234 310			46 699(8)	3 173
ial r[7]	2006	460 070	292 673	958 993	194 119			84 652	1 990
	2005	461 526	634 516						
Vanjoki	2007	556 381	900 499	1 602 605	239 829		18 521(4)	49 244(9)	3 367
Markets	2006	505 343	353 674	938 582	222 213		215 143(4)	29 394	2 264
	2005	476 000	718 896						
McDowell	2007	444 139	769 773	1 551 482	396 169			32 463(10)	3 194
	2006	466 676	249 625	786 783	213 412			45 806	1 762

Chief opment r(7)								
stämö Devices	2007	382 667	605 520	1 412 371	223 284	41 465(4)	32 086(11)	2 69

(1) The positions set forth in this table are the current positions of the named executives. Mr. Kallasvuo was President and COO until June 1, 2006. Until December 31, 2007, Mr. Vanjoki was Executive Vice President and General Manager of Multimedia; Ms. McDowell, Executive Vice President and General Manager of Enterprise Solutions; and Mr. Öistämö, Executive Vice President and General Manager of Mobile Phones.

(2) Bonus payments are part of Nokia s short-term cash incentives. The amount consists of the bonus awarded and paid or payable by Nokia for the respective fiscal year.

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

(4) The change in pension value represents the proportionate change in Nokia s liability related to the individual executive. These executives participate in the Finnish TyEL pension system 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. The figures shown represent only the change in liability for the funded portion. The method used to derive the actuarial IFRS valuation is based upon salary information at the respective year-end. Actuarial assumptions including salary increases and inflation have been determined to arrive at the valuation at the respective year end

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(5) The change in pension value for Mr. Kallasvuo includes EUR 148 333 for the proportionate change in the company s liability related to the individual under the funded part of the Finnish TyEL pension (see footnote 4 above). In addition, it includes EUR 808 000 for the change in liability in the early retirement benefit at the age of 60 provided under his service contract.

(6) All other compensation for Mr. Kallasvuo in 2007 includes: EUR 130 000 for his services as member of the Board of Directors, see also Board of Directors Remuneration of the Board of Directors in 2007 above; EUR 21 300 for car allowance; EUR 10 000 for financial counseling; EUR 17 383 for a taxable benefit concerning payment of the Finnish transfer tax and related gross-up in respect of settlements under performance and restricted share plans made to all participants of those plans who were Finnish tax residents; and EUR 4 920 for driver and for mobile phone.

(7) Salaries, benefits and perquisites of Ms. McDowell and Mr. Simonson are paid and denominated in USD. Amounts were converted to EUR using year-end 2007 USD/EUR exchange rate of 1.47. For year 2006, amounts were converted to EUR using year-end 2006 USD/EUR exchange rate of 1.31.

(8) All other compensation for Mr. Simonson in 2007 includes: EUR 10 544 company contributions to the 401(k) plan, EUR 11 565 for car allowance, EUR 10 548 for financial counseling, EUR 9 691 provided as benefit under Nokia s relocation policy and EUR 4 351 Employee Stock Purchase Plan benefit.

(9) All other compensation for Mr. Vanjoki in 2007 includes: EUR 22 020 for car allowance, EUR 16 984 taxable benefit concerning payment of the Finnish transfer tax and related gross-up in respect of settlements under performance and restricted share plans made to all participants of those plans who were Finnish tax residents; EUR 10 000 for financial counseling and the remainder for mobile phone.

(10) All other compensation for Ms. McDowell in 2007 includes: EUR 9 184 company contributions to the 401(k) plan, EUR 11 565 for car allowance, EUR 10 531 for financial counseling and the remainder for benefit provided under Nokia s relocation policy.

(11) All other compensation for Mr. Öistämö in 2007 includes: EUR 13 777 for car allowance, EUR 8 069 taxable benefit concerning payment of the Finnish transfer tax and related gross-up in respect of settlements under performance and restricted share plans made to all participants of those plans who were Finnish tax residents; EUR 10 000 for financial counseling and the remainder for mobile phone.

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

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

Equity Grants in 2007[1]

		Option Awards			**Stock Awards**			
ame and Principal	**Grant**	**Number of Shares underlying**	**Grant Price**	**Grant Date**	**Performance Shares at Threshold**	**Performance Shares at Maximum**	**Restricted Shares**	**Grant Date**

osition	Year	Date	Options	(EUR)	Fair Value(2) (EUR)	(Number)	(Number)	(Number)	Fair Value(3) (EUR)
lli-Pekka Kallasvuo resident and CEO	2007	May 11	160 000	18.39	581 690	80 000	320 000	100 000	5 709 382
ichard Simonson VP and Chief inancial Officer	2007	May 11	55 000	18.39	199 956	27 500	110 000	35 000	1 978 385
nssi Vanjoki VP, Markets	2007	May 11	55 000	18.39	199 956	27 500	110 000	35 000	1 978 385
lary McDowell VP, Chief evelopment Officer	2007	May 11	55 000	18.39	199 956	27 500	110 000	35 000	1 978 385
ai Öistämö VP, Devices	2007	May 11	55 000	18.39	199 956	27 500	110 000	35 000	1 978 385

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(1) Including all grants made during 2007. Grants were made under the Nokia Stock Option Plan 2007, the Nokia Performance Share Plan 2007 and the Nokia Restricted Share Plan 2007, respectively.

(2) The fair values of stock options equal the estimated fair value on the grant date, calculated using the Black-Scholes model. The stock option exercise price is EUR 18.39. The Helsinki Stock Exchange closing market price at the grant date was EUR 18.42.

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

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

Pension Arrangements for the Members of the Group Executive Board

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

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

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

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

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

Service Contracts

Olli-Pekka Kallasvuo s service contract covers his current position as President and CEO and Chairman of the Group Executive Board. As of December 31, 2007, Mr. Kallasvuo s annual total gross base salary, which is subject to an annual review by the Board of Directors and confirmation by the independent members of the Board, is EUR 1 050 000. His incentive targets under the Nokia short-term cash incentive plan are 150% of annual gross base salary. In case of termination by Nokia for reasons other

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than cause, including a change of control, Mr. Kallasvuo is entitled to a severance payment of up to 18 months of compensation (both annual total gross base salary and target incentive). In case of termination by Mr. Kallasvuo, the notice period is 6 months and he is entitled to a payment for such notice period (both annual total gross base salary and target incentive for 6 months). Mr. Kallasvuo is subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated for cause, Mr. Kallasvuo may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual total gross base salary and target incentive for the respective period during which no severance payment is paid.

Equity-Based Compensation Programs

General

During the year ended December 31, 2007, we sponsored four global stock option plans, four global performance share plans and four global restricted share plans. Both executives and employees participate in these plans. In 2004, we introduced performance shares as the main element to the company s broad-based equity compensation program to further emphasize the performance element in employees long-term incentives. Thereafter, the number of stock options granted has been significantly reduced. The rationale for using both performance shares and stock options for employees in higher job grades is to build an optimal and balanced combination of long-term equity-based incentives. The equity-based compensation programs intend to align the potential value received by participants directly with the performance of Nokia. Since 2003, we also have granted restricted shares to a small selected number of employees each year.

The equity-based incentive grants are generally conditioned upon continued employment with Nokia, as well as the fulfillment of performance and other conditions, as determined in the relevant plan rules.

The broad-based equity compensation program for 2007, which was approved by the Board of Directors, followed the structure of the program in 2006. The participant group for the 2007 equity-based incentive program continued to be broad, with a wide number of employees in many levels of the organization eligible to participate. As at December 31, 2007, the aggregate number of participants in all of our equity-based programs was approximately 22 000 compared with approximately 30 000 as at December 31, 2006 reflecting changes in our grant guidelines.

The employees of Nokia Siemens Networks have not participated in any new Nokia equity-based incentive plans since the formation of Nokia Siemens Networks on April 1, 2007.

For a more detailed description of all of our equity-based incentive plans, see Note 22 to our consolidated financial statements included in Item 18 of this annual report.

Performance Shares

We have granted performance shares under the global 2004, 2005, 2006 and 2007 plans, each of which, including its terms and conditions, has been approved by the Board of Directors.

The performance shares represent a commitment by Nokia to deliver Nokia shares to employees at a future point in time, subject to Nokia s fulfillment of pre-defined performance criteria. No performance shares will vest unless Nokia s performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria: Nokia s average annual net sales growth for the performance period of the plan and earnings per share (EPS) at the end of the performance period.

The 2004 and 2005 Performance Share Plans have a four-year performance period and a two-year interim measurement period. The 2006 and 2007 Performance Share Plans have a three-year performance period with no interim measurement period. The below table summarizes the relevant periods and settlements under the plans.

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Plan	Performance period	Interim measurement period	1st (interim) settlement	2nd (final) settlement
2004	2004-2007	2004-2005	2006	2008
2005	2005-2008	2005-2006	2007	2009
2006	2006-2008	N/A	N/A	2009
2007	2007-2009	N/A	N/A	2010

Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the performance shares. The performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Performance share grants are approved by the CEO at the end of the respective calendar quarter on the basis of an authorization given by the Board of Directors. Approvals for performance share grants to the CEO are made by the independent members of the Board of Directors. Approvals for performance share grants to the other Group Executive Board members and other direct reports of the CEO are made by the Personnel Committee.

Stock Options

Nokia s global stock option plans in effect for 2007, including their terms and conditions, were approved by the Annual General Meetings in the year when each plan was launched, i.e., in 2001, 2003, 2005 and 2007.

Each stock option entitles the holder to subscribe for one new Nokia share. Under the 2001 stock option plan, the stock options were transferable by the participants. Under the 2003, 2005 and 2007 plans, the stock options are non-transferable. All of the stock options have a vesting schedule with a 25% vesting one year after grant, and quarterly vesting thereafter. The stock options granted under the plans generally have a term of five years.

The exercise prices of the stock options are determined at the time of their grant on a quarterly basis. The exercise prices are determined in accordance with a pre-agreed schedule after the release of Nokia s periodic financial results and are based on the trade volume weighted average price of a Nokia share on the Helsinki Stock Exchange during the trading days of the first whole week of the second month of the respective calendar quarter (i.e., February, May, August or November). Exercise prices are determined on a one-week weighted average to mitigate any short-term fluctuations in Nokia s share price. The determination of exercise price is defined in the terms and conditions of the stock option plan, which are approved by the shareholders at the respective Annual General Meeting. The Board of Directors does not have the right to amend the above-described determination of the exercise price.

Stock option grants are approved by the CEO at the time of stock option pricing on the basis of an authorization given by the Board of Directors. Approvals for stock option grants to the CEO are made by the independent members of the Board of Directors. Approvals for stock option grants to the other Group Executive Board members and for other direct reports of the CEO are made by the Personnel Committee.

Restricted Shares

Since 2003, we have granted restricted shares to recruit, retain, reward and motivate selected high potential employees, who are critical to the future success of Nokia. It is Nokia s philosophy that restricted shares will be used only for key management positions and other critical resources. The outstanding global restricted share plans, including their terms and conditions, have been approved by the Board of Directors.

All of our restricted share plans have a restriction period of three years after grant. Once the shares vest, they are transferred and delivered to the participants. The restricted share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting. Until the Nokia shares are delivered, the participants do not have any shareholder rights, such as voting or dividend rights, associated with the restricted shares. Restricted share grants are approved by the CEO at the end of the respective calendar quarter on the basis of an authorization given by the Board of Directors. Approvals of restricted share grants to the CEO are made by the independent members of the Board of Directors. Approvals for restricted share grants to the other Group Executive Board members and other direct reports of the CEO are made by the Personnel Committee.

Other Equity Plans for Employees

In addition to our global equity plans described above, we have equity plans for Nokia-acquired businesses or employees in the United States and Canada under which participants can receive Nokia ADSs or ordinary shares. These equity plans do not result in an increase in the share capital of Nokia.

We have also an Employee Share Purchase Plan in the United States, which permits all full-time Nokia employees located in the United States to acquire Nokia ADSs at a 15% discount. The purchase of the ADSs is funded through monthly payroll deductions from the salary of the participants, and the ADSs are purchased on a monthly basis. As at December 31, 2007, a total of 11 339 333 ADSs had been purchased under this plan since its inception, and there were a total of approximately 600 participants.

For more information on these plans, see Note 22 to our consolidated financial statements included in Item 18 of this annual report.

Equity-Based Compensation Program 2008

The Board of Directors announced the proposed scope and design for the Equity Program 2008 on January 24, 2008. The main equity instrument will be performance shares. In addition, stock options will be used on a limited basis for senior managers, and restricted shares will be used for a small number of high potential and critical employees. These equity-based incentive awards are generally forfeited, if the employee leaves Nokia prior to vesting.

Performance Shares

The Performance Share Plan 2008 approved by the Board of Directors will cover a performance period of three years (2008-2010) with no interim measurement period. No performance shares will vest unless Nokia s performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria:

(1) *Average Annual Net Sales Growth*: 4% (threshold) and 16% (maximum) during the performance period 2008-2010, and

(2) *EPS (diluted, excluding special items)*: EUR 1.72 (threshold) and EUR 2.76 (maximum) at the end of the performance period in 2010.

Average Annual Net Sales Growth is calculated as an average of the net sales growth rates for the years 2007 through 2010. EPS is the diluted earnings per share in 2010 excluding special items. Both the EPS and Average Annual Net Sales Growth criteria are equally weighted and performance under each of the two performance criteria is calculated independent of each other.

Achievement of the maximum performance for both criteria would result in the vesting of a maximum of 12 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

3 million shares. If only one of the threshold levels of performance is achieved, only approximately 1.5 million of the performance shares will vest. If none of the threshold levels is achieved, then none of the performance shares will vest. For performance between the threshold and maximum performance levels, the vesting follows a linear scale. If the required performance levels are achieved, the vesting will take place in 2010. 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 2008 are out of the Stock Option Plan 2007 approved by the Annual General Meeting in 2007. For more information on Stock Option Plan 2007 see Equity-Based Compensation Programs Stock options above.

Restricted Shares

The restricted shares to be granted under the Restricted Share Plan 2008 will have a three-year restriction period. The restricted shares will vest and the payable Nokia shares be delivered mainly in 2011, subject to fulfillment of the service period criteria. Participants will not have any shareholder rights or voting rights during the restriction period, until the Nokia shares are transferred and delivered to plan participants at the end of the restriction period.

Maximum Planned Grants in 2008

The maximum number of planned grants under the 2008 Equity Program (i.e., performance shares, stock options and restricted shares) in 2008 are set forth in the table below.

Plan type	**Maximum Number of Planned Grants under the 2008 Equity Program in 2008**
Stock Options	5 million
Restricted Shares	4 million
Performance Shares at Threshold[1]	3 million

(1) The maximum number of shares to be delivered at maximum performance is four times the number at threshold, i.e., a total of 12 million Nokia shares.

As at December 31, 2007, the total dilutive effect of Nokia s stock options, performance shares and restricted shares outstanding, assuming full dilution, was approximately 2.3% in the aggregate. The potential maximum effect of the proposed equity program 2008 would be approximately another 0.6%.

6.C Board Practices

The Board of Directors

The operations of the company are managed under the direction of the Board of Directors, within the framework set by the Finnish Companies Act and our Articles of Association and the complementary Corporate Governance Guidelines and related charters adopted by the Board.

The Board represents and is accountable to the shareholders of the company. The Board s responsibilities are active, not passive, and include the responsibility regularly to evaluate the strategic direction of the company, management policies and the effectiveness with which management implements them, and assesses the overall risk of the company.

The Board s responsibilities further include overseeing the structure and composition of the company s top management and monitoring legal compliance and the management of risks related to the company s operations. In doing so the Board may set annual ranges and/or individual limits for capital expenditures, investments and divestitures and financial commitments not to be exceeded without Board approval.

The Board has the responsibility for appointing and discharging the Chief Executive Officer and the other members of the Group Executive Board. The Chief Executive Officer also acts as President, and his rights and responsibilities include those allotted to the President under Finnish law. Subject to the requirements of Finnish law, the independent directors of the Board confirm the compensation and the employment conditions of the Chief Executive Officer upon the recommendation of the Personnel

Committee. The compensation and employment conditions of the other members of the Group Executive Board are approved by the Personnel Committee upon the recommendation of the Chief Executive Officer.

The basic responsibility of the members of the Board is to act in good faith and with due care so as to exercise their business judgment on an informed basis in what they reasonably and honestly believe to be 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 Committee also have the power to hire independent legal, financial or other advisors as they deem necessary. The Board conducts annual performance self-evaluations, which also include evaluations of the Committees work, the results of which are discussed by the Board.

Pursuant to the articles of association, Nokia Corporation has a Board of Directors composed of a minimum of seven and a maximum of twelve members. The members of the Board are elected for a term of one year 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 Annual General Meeting held on May 3, 2007 elected eleven members to the Board of Directors. One member, Daniel R. Hesse, resigned from the Board in December 2007 as a result of which the Board consisted of ten members on December 31, 2007.

The Board elects a Chair and a Vice Chair from among its members for a one-year term. On May 3, 2007, the Board resolved that Jorma Ollila should continue to act as Chair and that Marjorie Scardino shall act as Vice Chair of the Board. The Board also appoints the members and the chairpersons for its Committees from among its non-executive, independent members for a one-year term. For information about the members and the chairpersons for Board s Committees, see Committees of the Board of Directors below.

The current members of the Board are all non-executive, except the President and Chief Executive Officer who is also a member of the Board. The non-executive Board members are all independent as defined under Finnish rules and regulations, except the Chairman of the Board who acted as Chairman and Chief Executive Officer until June 1, 2006. In January 2008, the Board determined that seven of the Board s ten members are independent, as defined in the New York Stock Exchange s corporate governance listing standards, as amended in November 2004. In addition to the Chairman of the Board and the President and Chief Executive Officer, Bengt Holmström was determined not to be independent under the NYSE standards due to a family relationship with an executive officer of a Nokia supplier of whose consolidated gross revenue from Nokia accounts for an amount that exceeds the limit provided in the NYSE listing standards, but that is less than 5%. Also in January 2008, the Board determined that Georg Ehrnrooth, Chairman of the Audit Committee, was a financial expert within the meaning of the Sarbanes-Oxley Act of 2002 and the subsequent regulations by the US Securities and Exchange Commission.

The Board convened twelve times during 2007. Six of the meetings were held through technical equipment. The average ratio of attendance at the meetings was 94%. The non-executive directors meet without management at regularly scheduled sessions twice a year and at such other times as they deem appropriate, in practice in connection with each regularly scheduled meeting in 2007. Such sessions were chaired by the non-executive Chairman of the Board or, in his absence, the non-executive Vice Chair of the Board. In addition, the independent directors meet separately at least once annually.

The Corporate Governance Guidelines concerning the directors responsibilities, the composition and selection of the Board, Board committees and certain other matters relating to corporate governance are available on our website, *www.nokia.com.* We also have a company Code of Conduct which is equally applicable to all of our employees, directors and management and is accessible on our website, *www.nokia.com.* As well, we have a Code of Ethics for the Principal Executive Officers and the Senior Financial Officers. For more information about our Code of Ethics, see Item 16.B. Code of Ethics.

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At December 31, 2007, Mr. Kallasvuo, the President and Chief Executive Officer, was the only Board member who had a service contract with Nokia. For a discussion of the service contract of Mr. Kallasvuo, see Service Contracts below.

Committees of the Board of Directors

The Audit Committee consists of a minimum of three members of the Board who meet all applicable independence, financial literacy and other requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including the Helsinki Stock Exchange and the New York Stock Exchange. Since May 3, 2007, the Committee has consisted of the following four members of the Board: Georg Ehrnrooth (Chair), Lalita D. Gupte, Keijo Suila and Vesa Vainio.

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 external auditor s qualifications and independence, (3) the performance of the external auditor subject to the requirements of Finnish law, (4) the performance of the company s internal controls and risk management and assurance function, (5) the performance of the internal audit function, and (6) the company s compliance with legal and regulatory requirements. The Committee also maintains procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by employees of the company of concerns regarding accounting or auditing matters.

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 Committee makes a proposal to the shareholders in respect of the appointment of the external auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election. Also under Finnish law, the fees of the external auditor are approved by our shareholders by a simple majority vote at the Annual General Meeting. The Committee makes a proposal to the shareholders in respect of the fees of the external auditor, and approves the external auditor s annual audit fees under the guidance given by the shareholders at the Annual General Meeting.

The Committee meets at least four times a year based upon a schedule established at the first meeting following the appointment of the Committee. The Committee meets separately with the representatives of Nokia s management, head of the internal audit function, and the external auditor in connection with each regularly scheduled meeting. The head of the internal audit function has at all times direct access to the Audit Committee, without involvement of management. The Audit Committee convened seven times in 2007. One of the meetings was held through technical equipment.

The Personnel Committee consists of a minimum of three members of the Board who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including the Helsinki Stock Exchange and the New York Stock Exchange. Since May 3, 2007, the Personnel Committee has consisted of the following members of the Board: Per Karlsson (Chair), Daniel R. Hesse (until December 2007), Henning Kagermann and Marjorie Scardino.

The primary purpose of the Personnel Committee is to oversee the personnel policies and practices of the company. It assists the Board in discharging its responsibilities relating to all compensation, including equity compensation, of the company s executives and the terms of employment of the same. The Committee has overall responsibility for evaluating, resolving and making recommendations to the Board regarding (1) compensation of the company s top executives and their employment conditions, (2) all equity-based plans, (3) incentive compensation plans, policies and programs of the company affecting executives and (4) other significant incentive plans. The Committee is responsible for overseeing compensation philosophy and principles and ensuring the above compensation programs are performance-based, properly motivate management, support overall corporate strategies and are aligned with shareholders interests. The Committee is responsible for the review of senior management development and succession plans.

The Personnel Committee convened three times in 2007.

For further information on the activities of the Personnel Committee, see 6.B Compensation Executive Compensation.

The Corporate Governance and Nomination Committee consists of three to five members of the Board who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, including the Helsinki Stock Exchange and the New York Stock Exchange. Since May 3, 2007, the Corporate Governance and Nomination Committee has consisted of the following three members of the Board: Marjorie Scardino (Chair), Georg Ehrnrooth and Per Karlsson.

The Corporate Governance and Nomination Committee s purpose is (1) to prepare the proposals for the general meetings in respect of the composition of the Board and the director remuneration to be approved by the shareholders, and (2) to monitor issues and practices related to corporate governance and to propose necessary actions in respect thereof.

The Committee fulfills its responsibilities by (i) actively identifying individuals qualified to become members of the Board, (ii) recommending to the shareholders the director nominees for election at the Annual General Meetings, (iii) monitoring significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies, (iv) assisting the Board and each committee of the Board in its annual performance self-evaluations, including establishing criteria to be used in connection with such evaluations, and (v) developing and recommending to the Board and administering our Corporate Governance Guidelines.

The Corporate Governance and Nomination Committee convened four times in 2007. One of the meetings was held through technical equipment.

The charters of each of the committees are available on our website, *www.nokia.com.*

Home Country Practices

Under the New York Stock Exchange s corporate governance listing standards, listed foreign private issuers, like Nokia, must disclose any significant ways in which their corporate governance practices differ from those followed by US domestic companies under the NYSE listing standards. There are no significant differences in the corporate governance practices followed by Nokia as compared to those followed by US domestic companies under the NYSE listing standards, except that Nokia follows the requirements of Finnish law with respect to the approval of equity compensation plans. Under Finnish law, stock option plans require shareholder approval at the time of their launch. All other plans that include the delivery of company stock in the form of newly-issued shares or treasury shares require shareholder approval at the time of the delivery of the shares or, if shareholder approval is granted through an authorization to the Board of Directors, no more than a maximum of five years earlier. The NYSE listing standards require that equity compensation plans be approved by a company s shareholders.

Nokia s corporate governance practices also comply with the Corporate Governance Recommendation for Listed Companies approved by the Helsinki Stock Exchange in December 2003 effective as of July 1, 2004.

6.D Employees

At December 31, 2007, Nokia employed 112 262 people, compared with 68 483 people at December 31, 2006, and 58 874 at December 31, 2005. The increase in the number of personnel on December 31, 2007 compared to December 31, 2006 was primarily attributable to the formation of Nokia Siemens Networks on April 1, 2007. The average number of personnel for 2007, 2006 and 2005 was 100 534, 65 324 and 56 896 respectively, divided according to their activity and geographical location as follows:

	2007	2006	2005
Mobile Phones	3 475	3 639	2 647
Multimedia	3 708	3 058	2 750
Enterprise Solutions	2 095	2 264	2 185
Nokia Siemens Networks(1)	50 336	20 277	17 676
Customer and Market Operations	28 739	23 323	18 642
Technology Platforms	6 116	5 874	6 629
Common Group Functions	6 065	6 889	6 367
Nokia Group	**100 534**	**65 324**	**56 896**
Finland	24 698	24 091	23 628
Other European countries	30 488	14 490	13 051
Middle-East & Africa	3 384	724	250
China	11 410	6 893	5 466
Asia-Pacific	14 873	7 915	3 593
North America	5 674	6 050	6 680
Latin America	10 007	5 161	4 228
Nokia Group	**100 534**	**65 324**	**56 896**

(1) As of April 1, 2007, our consolidated financial data include that of Nokia Siemens Networks on a fully consolidated basis. Nokia Siemens Networks, a company jointly owned by Nokia and Siemens, is comprised of our former Networks business group and Siemens carrier-related operations for fixed and mobile networks. Accordingly, the average numbers of personnel for 2007 are not directly comparable to the average numbers of personnel for 2006 and 2005.

Management believes that we have a good relationship with our employees and with the labor unions.

6.E Share Ownership

General

The following section describes the ownership or potential ownership interest in the company of the members of our Board of Directors and the Group Executive Board, either through share ownership or through holding of equity-based incentives, which may lead to share ownership in the future.

Since 1999, approximately 40% of the remuneration paid to the Board of Directors has been paid in Nokia shares purchased from the market. Non-executive members of the Board of Directors do not receive stock options, performance shares, restricted shares or other variable compensation.

For a description of our equity-based compensation programs for employees and executives, see Item 6.B Compensation Equity-Based Compensation Programs.

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Share Ownership of the Board of Directors

At December 31, 2007, the members of our Board of Directors held the aggregate of 975 797 shares and ADSs in Nokia (not including stock options or other equity awards which are deemed as being beneficially owned under applicable SEC rules), which represented 0.03% of our outstanding share capital and total voting rights excluding shares held by Nokia Group at that date.

The following table sets forth the number of shares and ADSs held by members of the Board of Directors as at December 31, 2007.

	Shares[1]	**ADSs**
Jorma Ollila[2]	389 578	
Marjorie Scardino		17 263
Georg Ehrnrooth[3]	318 347	
Lalita D. Gupte		3 027
Bengt Holmström	19 416	
Henning Kagermann	2 810	
Olli-Pekka Kallasvuo[4]	166 059	
Per Karlsson[3]	22 889	
Keijo Suila	5 597	
Vesa Vainio	30 811	
Total	955 507	20 290

(1) The number of shares includes not only shares acquired as compensation for services rendered as a member of the Board of Directors, but also shares acquired by any other means.

(2) For Mr. Ollila, this table includes his share ownership, only. Mr. Ollila was entitled to retain all vested and unvested stock options, performance shares and restricted shares granted to him in respect of his services as the CEO of Nokia prior to June 1, 2006 as approved by the Board of Directors. Therefore, in addition to the above-presented share ownership, Mr. Ollila held, as of December 31, 2007; a total of 1 800 000 stock options, 300 000 performance shares (at threshold) and 200 000 restricted shares. The information relating to stock options held by Mr. Ollila as at December 31, 2007 is represented in the table below.