NOKIA CORP
Form 6-K
July 30, 2015

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

Report on Form 6-K dated July 30, 2015

(Commission File No. 1-13202)

Nokia Corporation

Karaportti 3

FI-02610 Espoo

Finland

(Name and address of registrant s principal executive office)

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

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

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

Yes: o **No**: x

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

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

Yes: o **No**: x

INTERIM REPORT

July 30, 2015

Nokia Corporation Interim Report for Q2 2015 and January-June 2015

Strong Q2 positions Nokia well to meet full year 2015 objectives

Nokia Corporation

Interim Report

July 30, 2015 at 08:00 (CET +1)

This is a summary of the Nokia Corporation interim report for second quarter 2015 and January-June 2015 published today. The complete interim report for second quarter 2015 and January-June 2015 with tables is available at http://company.nokia.com/en/financials. Investors should not rely on summaries of our interim reports only, but should review the complete interim reports with tables.

FINANCIAL HIGHLIGHTS

- Net sales in Q2 2015 of EUR 3.2 billion (EUR 2.9 billion in Q2 2014), up 9% year-on-year (down 1% year-on-year on a constant currency basis)

- Non-IFRS diluted EPS in Q2 2015 of EUR 0.09 (EUR 0.06 in Q2 2014), an increase of 50% year-on-year; reported diluted EPS in Q2 2015 of EUR 0.09 (loss of EUR 0.01 in Q2 2014)

Nokia Networks

- 6% year-on-year net sales growth (4% year-on-year decline on a constant currency basis)

- 12% year-on-year growth in non-IFRS gross profit, with non-IFRS gross margin increasing to 40.0% from 38.1%, primarily driven by an elevated level of software sales within Mobile Broadband and strong performance across Global Services

- 11% year-on-year growth in non-IFRS operating profit, with non-IFRS operating margin increasing to 11.5% from 11.0%, supported by continued focus on operational excellence

HERE

- 25% year-on-year growth in net sales, with 24% growth in new vehicle licenses for embedded navigation systems

- Non-IFRS operating profit of EUR 27 million, with non-IFRS operating margin increasing year-on-year to 9.3% from 0.0%

Nokia Technologies

- 31% year-on-year growth in net sales and 17% year-on-year growth in non-IFRS operating profit, primarily due to higher intellectual property licensing income from existing and new licensees and non-recurring net sales. In addition, on a year-on-year basis, non-IFRS operating profit was negatively affected by higher non-IFRS operating expenses

Group Common Functions

- Non-IFRS operating profit of EUR 69 million benefitted from a gain of approximately EUR 110 million related to Nokia s investments made through its venture funds

EUR million	Q2 15	Q2 14	YoY change	Q1 15	QoQ change	Q1-Q2 15	Q1-Q2 14	YoY change
	Reported second quarter 2015 results(1)					Reported January-June 2015 results(1)		
Net sales constant currency			*(1)%*		*(1)%*			*5%*
Net sales	**3 209**	2 942	9%	3 196	0%	**6 405**	5 606	*14%*
Nokia Networks	**2 730**	2 566	6%	2 673	2%	**5 403**	4 894	10%
HERE	**290**	232	25%	261	11%	**551**	441	25%
Nokia Technologies	**193**	147	31%	266	(27)%	**459**	278	65%
Gross margin % (non-IFRS)	***46.7%***	*44.0%*	*270bps*	*42.5%*	*420bps*	***44.6%***	*44.8%*	*(20)bps*
Operating profit (non-IFRS)	**521**	346	51%	265	97%	**786**	651	21%
Nokia Networks	**313**	281	11%	85	268%	**398**	497	(20)%
HERE	**27**	0		19	42%	**46**	10	360%
Nokia Technologies	**112**	96	17%	193	(42)%	**305**	182	68%
Group Common Functions	**69**	(31)		(32)		**37**	(39)	
Operating margin % (non-IFRS)	***16.2%***	*11.8%*	*440bps*	*8.3%*	*790bps*	***12.3%***	*11.6%*	*70bps*
Profit (non-IFRS)	**357**	215	66%	200	79%	**556**	386	44%
Profit	**352**	(27)		181	94%	**533**	84	535%
EPS, EUR diluted (non-IFRS)	**0.09**	0.06	50%	0.05	80%	**0.15**	0.10	50%
EPS, EUR diluted	**0.09**	(0.01)		0.05	80%	**0.14**	0.02	600%

(1) Results are as reported unless otherwise specified. The results information in this report is unaudited. Please see Notes to financial statements Basis of preparation for more information. Non-IFRS results exclude transaction and other related costs resulting from the sale of substantially all of Nokia s Devices & Services business to Microsoft (the Sale of the D&S Business), goodwill impairment charges, intangible asset amortization and purchase price related items, restructuring related costs, and certain other items that may not be indicative of Nokia s underlying business performance. For a detailed discussion, please see the year to date discussion and the non-IFRS to reported reconciliation note to the financial statements. A reconciliation of our Q1 2015 non-IFRS results to our reported results can be found in our complete Q1 2015 interim report with tables on page 29 published on April 30, 2015. A reconciliation of our Q4 2014 non-IFRS results to our reported results can be found in our complete Q4 2014 interim report with tables on pages 20-25 published on January 29, 2015. A reconciliation of our Q3 2014 non-IFRS results to our reported results can be found in our complete Q3 2014 interim report with tables on pages 22-27 published on October 23, 2014.

CEO statement

Nokia delivered strong results in the second quarter, with each of our three businesses performing very well.

I am particularly pleased by Nokia Networks, which delivered improved performance overall, despite a year-on-year decline in net sales on a constant currency basis. Software sales were up significantly; core networking sales improved; we saw a reduced impact of strategic entry deals; Global Services had one of its best quarters in the history of the company; and costs remained well under control.

While we expect the telecom infrastructure market to remain challenging, I believe that our disciplined operating model and strong execution capabilities will continue to differentiate us in this environment. Additionally, we remain highly focused on reducing costs and improving efficiency in order to mitigate the impact of market conditions.

Nokia Technologies not only continued its licensing momentum in the quarter with a new agreement with LG, but also recently unveiled OZO, a truly game-changing virtual reality camera. The team in Tech has shown both disciplined execution in licensing and an entrepreneurial spirit in pursuing new growth opportunities.

HERE continued to deliver well, again showing year-on-year sales and profitability growth. Our strategic review of that business is now in an advanced stage, and I would like to reiterate that our focus is on what is in the best interests of our shareholders and the long term future of HERE.

Overall, with these results, we are well positioned to deliver on our full-year 2015 commitments.

Rajeev Suri
President and CEO

Nokia in Q2 2015

Financial discussion

The following discussion is of Nokia s reported results for the second quarter 2015, which comprise the results of Nokia s three businesses Nokia Networks, HERE and Nokia Technologies, as well as Group Common Functions. Comparisons are given to the second quarter 2014 and first quarter 2015 results, unless otherwise indicated.

Net sales

Nokia s net sales increased 9% year-on-year and were approximately flat sequentially. At constant currency, Nokia s net sales would have decreased 1% both on a year-on-year and sequential basis.

Year-on-year discussion

The year-on-year increase in Nokia s net sales in the second quarter 2015 was primarily due to higher net sales in Nokia Networks and, to a lesser extent, in HERE and Nokia Technologies.

Sequential discussion

On a sequential basis, the approximately flat net sales in the second quarter 2015 were primarily due to slightly higher net sales in Nokia Networks and HERE, partially offset by lower net sales in Nokia Technologies.

Non-IFRS Operating profit

Year-on-year discussion

Nokia s non-IFRS operating profit increased 51% year-on-year in the second quarter 2015, primarily due to an increase in non-IFRS operating profit in Group Common Functions and, to a lesser extent, in Nokia Networks, HERE and Nokia Technologies.

Nokia s non-IFRS other income and expenses was an income of EUR 113 million in the second quarter 2015, compared to an expense of EUR 9 million in the second quarter 2014. On a year-on-year basis, the change in Nokia s non-IFRS other income and expenses was primarily due to higher other income in Group Common Functions, related to Nokia s investments made through its venture funds. During the second quarter 2015, Nokia Growth Partners sold its holdings in Ganji.com, a major online local services marketplace platform in China, to 58.com. BlueRun Ventures also invested in Ganji.com and participated in the transaction, which valued Nokia s total indirect holdings in Ganji.com at approximately EUR 200 million. Related to the transaction, Nokia recorded a gain of approximately EUR 110 million in the second quarter 2015. The final amount and timing of additional income or expense will depend on the value and date at which the venture funds liquidate the portion of the consideration that was received in shares.

On a year-on-year basis, foreign exchange fluctuations had a significantly positive impact on non-IFRS gross profit, and a significantly negative impact on non-IFRS operating expenses, resulting in a slightly positive net impact on non-IFRS operating profit in the second quarter 2015.

Sequential discussion

Nokia s non-IFRS operating profit increased 97% sequentially in the second quarter 2015, primarily due to an increase in non-IFRS operating profit in Nokia Networks and Group Common Functions, partially offset by a decrease in non-IFRS operating profit in Nokia Technologies.

Nokia s non-IFRS other income and expenses was an income of EUR 113 million in the second quarter 2015, compared to an expense of EUR 19 million in the first quarter 2015. On a sequential basis, the change in Nokia s non-IFRS other income and expenses was primarily due to higher other income in Group Common Functions, related to Nokia s investments made through its venture funds. During the second quarter 2015, Nokia Growth Partners sold its holdings in Ganji.com, a major online local services marketplace platform in China, to 58.com. BlueRun Ventures also invested in Ganji.com and participated in the transaction, which valued Nokia s total indirect holdings in Ganji.com at approximately EUR 200 million. Related to the transaction, Nokia recorded a gain of approximately EUR 110 million in the second quarter 2015. The final amount and timing of additional income or expense will depend on the value and date at which the venture funds liquidate the portion of the consideration that was received in shares.

On a sequential basis, foreign exchange fluctuations had a slightly negative impact on non-IFRS gross profit, and a slightly negative impact on non-IFRS operating expenses, resulting in a negative net impact on non-IFRS operating profit in the second quarter 2015.

Non-IFRS Profit

Year-on-year discussion

Nokia s non-IFRS profit increased 66% on a year-on-year basis in the second quarter 2015, primarily due to higher non-IFRS operating profit and, to a lesser extent, a net positive fluctuation in non-IFRS financial income and expenses. This was partially offset by higher non-IFRS tax expense. Nokia s non-IFRS tax expense in the second quarter 2015 was based on a tax rate of approximately 27%, and this resulted in a higher non-IFRS tax expense than in the second quarter 2014. However, the tax expenses in the second quarter of 2014 and 2015 are not directly comparable primarily due to Nokia s deferred tax assets in Finland and Germany that were subject to valuation allowances until the third quarter of 2014.

Sequential discussion

Sequentially, Nokia s non-IFRS profit increased 79% in the second quarter 2015, primarily due to a higher non-IFRS operating profit, partially offset by higher non-IFRS tax expenses and the absence of the approximately EUR 25 million out of period adjustment to the share of results of associated companies that benefitted the first quarter 2015.

OUTLOOK

	Metric	Guidance	Commentary
Nokia Networks	FY15 Net sales	Increase YoY	
	FY15 Non-IFRS op. margin	Around the midpoint of the long-term range of 8% - 11% for the full year	Based on factors including competitive industry dynamics, product and regional mix, expected industry seasonality in the second half of 2015, the timing of major network deployments, and expected continued operational improvement.
HERE	FY15 Net sales	Increase YoY	
	FY15 Non-IFRS op. margin	9% - 12%	Based on factors including leading market position, positive industry trends and improved focus on cost efficiency.
Nokia Technologies	FY15 Net sales	Increase YoY	Excludes potential amounts related to the expected resolution of our arbitration with Samsung.
	FY15 Non-IFRS op. expense	Approx. in line with Q2 15 level (update)	Based on factors including higher investment in licensing activities, licensable technologies and business enablers, including go-to-market capabilities, which target new and significant long-term growth opportunities. This an update to the earlier FY15 non-IFRS operating expense outlook to be approximately in line with the Q4 2014 level.
Nokia	FY15 Capital expenditure	Approx. EUR 250 million	Primarily attributable to Nokia Networks.