NOKIA CORP
Form 20-F
April 30, 2014
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As filed with the Securities and Exchange Commission on April 30, 2014.

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, 2013

Commission file number 1-13202

Nokia Corporation

(Exact name of Registrant as specified in its charter)

Republic of Finland

(Jurisdiction of incorporation)

Karakaari 7, P.O. Box 226, FI-02610 NOKIA GROUP, Espoo, Finland

(Address of principal executive offices)

Riikka Tieaho, Vice President, Corporate Legal, Telephone: +358 (0) 10 44 88 000, Facsimile: +358 (0) 7 1803-8503, Karakaari 7, P.O. Box 226, FI-02610 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: **5.375% Notes due 2019 and 6.625% Notes due 2039.**

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: **3 744 956 052.**

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 ¨

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 ¨ 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 ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

International Financial Reporting Standards as issued by the International Accounting Standards Board x Other ¨

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 ¨ Item 18 ¨

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 ¨ 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 and which refers generally to Nokia s continuing operations, except where we make clear that the term means Nokia Corporation or a particular subsidiary or business segment only or the discontinued operations, 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.

In this document, Sale of the D&S Business refers to the transaction announced on September 3, 2013 and closed on April 25, 2014 where Nokia sold substantially all of Nokia s Devices & Services business D&S Business to Microsoft pursuant to the Stock and Asset Purchase Agreement, dated as of September 2, 2013, between Nokia and Microsoft International Holdings B.V. (referred to in this document as the D&S Purchase Agreement).

We have three businesses: Networks, HERE, and Technologies, and four operating and reportable segments for financial reporting purposes: Mobile Broadband and Global Services within Networks, HERE, and Technologies. Below is a description of our four reportable segments. Mobile Broadband provides mobile operators with radio and core network software together with the hardware needed to deliver mobile voice and data services. Global Services provides mobile operators with a broad range of services, including network implementation, care, managed services, network planning and optimization as well as systems integration. HERE focuses on the development of location intelligence, location-based services and local commerce. Technologies is built on Nokia s Chief Technology Office and intellectual property rights and licensing activities. Networks also contains Networks Other, which includes net sales and related cost of sales and operating expenses of non-core businesses, as well as the Optical Networks business until May 6, 2013, when its divestment was completed. It also includes restructuring and associated charges for Networks business. Additionally, as a result of the Sale of the D&S Business, we report certain separate information for Discontinued Operations.

On August 7, 2013, Nokia completed the acquisition of Siemens stake in Nokia Siemens Networks, which was a joint venture between Nokia and Siemens, and renamed the company Nokia Solutions and Networks, also referred to as NSN. After the closing of the Sale of the D&S Business, NSN was renamed Networks. Networks was consolidated by Nokia prior to this transaction. Beginning in the third quarter of 2013, Nokia has reported financial information for the two operating and reportable segments within Networks: Mobile Broadband and Global Services. Beginning in the fourth quarter of 2013, the Devices & Services business has been reported as Discontinued Operations. To reflect these changes, historical results information for past periods has been regrouped for historical comparative purposes. As is customary, certain judgments have been made when regrouping historical results information and allocating items in the regrouped results. When presenting financial information as at December 31, 2013 and related comparative information for previous periods, we generally refer to the names of the businesses and reportable segments as they were named at December 31, 2013. However, the terms Networks and Nokia Solutions and Networks, or NSN , as well as Technologies and Advanced Technologies can be used interchangeably in this annual report.

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 1.3779 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

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Federal Reserve Bank of New York on December 31, 2013. 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 located at Karakaari 7, P.O. Box 226, FI-02610 Nokia Group, Espoo, Finland and our telephone number is Tel. +358 (0) 10 44 88 000.

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 International Financial Reporting Standards as adopted by the European Union (IFRS). In accordance with the rules and regulations of the US Securities and Exchange Commission, or SEC, we do not 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 included in our 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 at +1-408-663-5685. 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.

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FORWARD-LOOKING STATEMENTS

It should be noted that Nokia and its business are exposed to various risks and uncertainties and certain statements herein that are not historical facts are forward-looking statements, including, without limitation, those regarding:

- expectations, plans or benefits related to Nokia s new strategy;
- expectations, plans or benefits related to future performance of Nokia s continuing businesses Networks, HERE and Technologies;
- expectations, plans or benefits related to changes in leadership and operational structure;
- expectations regarding market developments, general economic conditions and structural changes;
- expectations and targets regarding performance, including those related to market share, prices, net sales and margins;
- the timing of the deliveries of our products and services;
- expectations and targets regarding our financial performance, cost savings and competitiveness as well as results of operations;
- expectations and targets regarding collaboration and partnering arrangements;
- the outcome of pending and threatened litigation, disputes, regulatory proceedings or investigations by authorities;
- expectations regarding restructurings, investments, uses of proceeds from transactions, acquisitions and divestments and our ability to achieve the financial and operational targets set in connection with any such restructurings, investments, divestments and acquisitions, including any expectations, plans or benefits related to or caused by the Sale of the D&S Business;
- statements preceded by or including believe, expect, anticipate, foresee, sees, target, estimate, designed, aim , plans, continue , project , should , will or similar expressions.

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

1) our ability to execute our new strategy successfully and in a timely manner, and our ability to successfully adjust our operations;

2) our ability to sustain or improve the operational and financial performance of our continuing businesses and correctly identify business opportunities or successfully pursue new business opportunities;

3) our ability to execute Networks strategy and effectively, profitably and timely adapt its business and operations to the increasingly diverse needs of its customers and technological developments;

4) our ability within our Networks business to effectively and profitably invest in and timely introduce new competitive high-quality products, services, upgrades and technologies;

5) our ability to invent new relevant technologies, products and services, to develop and maintain our intellectual property portfolio and to maintain the existing sources of intellectual property related revenue and establish new such sources;

6) our ability to protect numerous patented standardized or proprietary technologies from third-party infringement or actions to invalidate the intellectual property rights of these technologies;

7) our ability within our HERE business to maintain current sources of revenue, historically derived mainly from the automotive industry, create new sources of revenue, establish a successful location-based platform and extend our location-based services across devices and operating systems;

8) effects of impairments or charges to carrying values of assets, including goodwill, or liabilities;

9) our dependence on the development of the mobile and communications industry in numerous diverse markets, as well as on general economic conditions globally and regionally;

10) our Networks business dependence on a limited number of customers and large, multi-year contracts;

11) our ability to retain, motivate, develop and recruit appropriately skilled employees;

12) the potential complex tax issues and obligations we may face, including the obligation to pay additional taxes in various jurisdictions and our actual or anticipated performance, among other factors, could result in allowances related to deferred tax assets;

13) our ability to manage our manufacturing, service creation and delivery, and logistics efficiently and without interruption, especially if the limited number of suppliers we depend on fail to deliver sufficient quantities of fully functional products and components or deliver timely services;

14) potential exposure to contingent liabilities due to the Sale of the D&S Business and possibility that the agreements we have entered into with Microsoft may have terms that prove to be unfavorable to us;

15) any inefficiency, malfunction or disruption of a system or network that our operations rely on or any impact of a possible cybersecurity breach;

16) our ability to reach targeted results or improvements by managing and improving our financial performance, cost savings and competitiveness;

17) management of Networks customer financing exposure;

18) the performance of the parties we partner and collaborate with, and our ability to achieve successful collaboration or partnering arrangements;

19) our ability to protect the technologies, which we develop, license, use or intend to use from claims that we have infringed third parties intellectual property rights, as well as, impact of possible licensing costs, restriction on our usage of certain technologies, and litigation related to intellectual property rights;

20) the impact of regulatory, political or other developments on our operations and sales in those various countries or regions where we do business;

21) exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Japanese yen and the Chinese yuan, as well as certain other currencies;

22) our ability to successfully implement planned transactions, such as acquisitions, divestments, mergers or joint ventures, manage unexpected liabilities related thereto and achieve the targeted benefits;

23) the impact of unfavorable outcome of litigation, contract related disputes or allegations of health hazards associated with our business,

as well as the risk factors specified in this annual report under Item 3D. Risk Factors. Other unknown or unpredictable factors or underlying assumptions subsequently proven to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Nokia does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

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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

3A. Selected Financial Data

The financial data set forth below at December 31, 2012 and 2013 and for each of the years in the three-year period ended December 31, 2013 has been derived from our audited consolidated financial statements included in Item 18 of this annual report. Financial data at December 31, 2009, 2010, and 2011 and for each of the years in the two-year period ended December 31, 2010 have been derived from our previously published audited consolidated financial statements not included in this annual report.

The financial data at December 31, 2012 and 2013 and for each of the years in the three-year period ended December 31, 2013 should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements.

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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,					
	2009 (EUR)	2010 (EUR)	2011 (EUR)	2012 (EUR)	2013 (EUR)	2013 (USD)
	(in millions, except per share data)					
Profit and Loss Account Data						
Net sales from continuing operations	13 373	13 586	15 968	15 400	12 709	17 512
Operating profit from continuing operations	(2 373)	(1 440)	(1 388)	(821)	519	715
Profit before tax from continuing operations	(2 579)	(1 672)	(1 542)	(1 179)	243	335
Profit from continuing operations	(2 668)	(1 577)	(1 615)	(1 483)	41	56
Profit from discontinued operations	2 928	2 920	128	(2 303)	(780)	(1 075)
Group profit for the year	260	1 343	(1 487)	(3 786)	(739)	(1 018)
Profit from continuing operations attributable to equity holders of the parent	(2 005)	(1 020)	(1 272)	(771)	186	256
Group profit attributable to equity holders of the parent	891	1 850	(1 163)	(3 105)	(615)	(847)
Earnings per share (for profit attributable to equity holders of the parent)						
Basic earnings per share						
From continuing operations	(0.54)	(0.28)	(0.34)	(0.21)	0.05	0.07
From the group profit of the year	0.24	0.50	(0.31)	(0.84)	(0.17)	(0.23)
Diluted earnings per share						
From continuing operations	(0.54)	(0.28)	(0.34)	(0.21)	0.05	0.07
From the group profit of the year	0.24	0.50	(0.31)	(0.84)	(0.17)	(0.23)
Cash dividends per share	0.40	0.40	0.20	0.00	0.37[1]	0.51[1]
Average number of shares (millions of shares)						
Basic	3 705	3 709	3 710	3 711	3 712	3 712
Diluted						
Continuing operations	3 705	3 709	3 710	3 711	3 733	3 733
Group	3 721	3 713	3 710	3 711	3 712	3 712
Balance Sheet Data						
Fixed assets and other non-current assets	12 259	12 136	10 950	9 323	6 048	8 334
Cash and other liquid assets[2]	8 873	12 275	10 902	9 909	8 971	12 361
Other current assets	14 606	14 712	14 373	10 752	4 825	6 648
Assets held for sale and assets of disposal groups classified as held for sale					5 347	7 368
Total assets	35 738	39 123	36 225	29 984	25 191	34 711
Capital and reserves attributable to equity holders of the parent	13 088	14 384	11 866	7 937	6 468	8 912
Non-controlling interests	1 661	1 847	2 043	1 302	192	265
Long-term interest-bearing liabilities	4 432	4 242	3 969	5 087	3 286	4 528
Other long-term liabilities	1 838	1 446	1 903	2 002	1 067	1 470
Borrowings due within one year	771	1 037	1 352	462	3 376	4 652
Other current liabilities	13 948	16 167	15 092	13 194	6 074	8 369
Liabilities of disposal groups classified as held for sale					4 728	6 515
Total shareholders equity and liabilities	35 738	39 123	36 225	29 984	25 191	34 711
Net interest-bearing debt	(3 670)	(6 996)	(5 581)	(4 360)	(2 309)	(3 180)
Share capital	246	246	246	246	246	339

(1) The Board of Directors will propose the cash dividend for 2013 for shareholders approval at the Annual General Meeting convening on June 17, 2014. The proposal comprises of a planned ordinary dividend for 2013 of EUR 0.11 per share and a special dividend of EUR 0.26 per share.

(2) 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, (3) available-for-sale investments, liquid assets and (4) investments at fair value through profit and loss, liquid assets. 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 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 request 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, and its maximum duration is 18 months. The Board of Directors has been regularly authorized by our shareholders at the Annual General Meetings to repurchase Nokia s own shares, and during the past three years the authorization covered 360 million shares in 2011, 360 million shares in 2012 and 370 million shares in 2013. The amount authorized each year has been at or slightly under the maximum limit provided by the Finnish Companies Act. Nokia has not repurchased any of its own shares since September 2008.

On April 29, 2014, we announced that the Board of Directors will propose that the Annual General Meeting convening on June 17, 2014 authorize the Board to resolve to repurchase a maximum of 370 million Nokia shares. The proposed maximum number of shares that may be repurchased corresponds to less than 10% of all the shares of the company. The shares may be repurchased under the proposed authorization in order to optimize the capital structure of the Company and are expected to be cancelled. In addition, shares may be repurchased in order to finance or carry out acquisitions or other arrangements, to settle the Company s equity-based incentive plans, or to be transferred for other purposes. The shares may be repurchased either through a tender offer made to all shareholders on equal terms, or in marketplaces by repurchasing the shares in another proportion than that of the current shareholders. The authorization would be effective until December 17, 2015 and terminate the current authorization for repurchasing of the company s shares resolved at the Annual General Meeting on May 7, 2013.

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Cash Dividends

On April 29, 2014, we announced that the Board of Directors will propose for shareholders approval at the Annual General Meeting convening on June 17, 2014 in total a dividend of EUR 0.37 per share in respect of 2013. Comprises of a planned ordinary dividend for 2013 of EUR 0.11 per share and a special dividend of EUR 0.26 per share. Additionally, we announced plans for an ordinary dividend for 2014 of at least EUR 0.11 per share, subject to shareholder approval in 2015.

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 2008 through 2012, 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 on the respective dividend payment dates.

	EUR per share	USD per ADS	EUR millions (in total)
2009	0.40	0.49	1 483
2010	0.40	0.57	1 484
2011	0.20	0.25	742
2012	0.00(1)	0.00(1)	0(1)
2013	0.37(2)	(3)	1 386(4)

(1) No dividend payment was made with respect to the year 2012.

(2) The Board of Directors will propose the cash dividend for 2013 for shareholders approval at the Annual General Meeting convening on June 17, 2014. The proposal comprises of a planned ordinary dividend for 2013 of EUR 0.11 per share and a special dividend of EUR 0.26 per share.

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

(4) Maximum amount to be distributed as dividends based on the number of shares at December 31, 2013. Earlier year figure represents the total actual amount paid.

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 NASDAQ OMX Helsinki and, as a result, are likely to affect the market price of the ADSs in the United States. See also Item 3D. Risk Factors Our net sales, costs and results of operations, as well as the US dollar value of our dividends and market price of our ADSs, are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Japanese yen and the Chinese yuan, as well as certain other currencies.

Planned EUR 5 billion capital structure optimization program

In conjunction with announcing our new strategy on April 29, 2014, we announced a planned EUR 5 billion capital structure optimization program. For a more detailed discussion of this planned EUR 5 billion capital optimization program, see Item 5B. Liquidity and Capital Resources .

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Exchange Rate Data

The following table sets forth information concerning the noon buying rate for the years 2009 through 2013 and for each of the months in the six-month period ended March 31, 2014, 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)			
2009	1.4332	1.3955	1.5100	1.2547
2010	1.3269	1.3216	1.4536	1.1959
2011	1.2973	1.3931	1.4875	1.2926
2012	1.3186	1.2859	1.3463	1.2062
2013	1.3779	1.3281	1.3816	1.2774
October 31, 2013	1.3594	1.3646	1.3810	1.3490
November 30, 2013	1.3606	1.3491	1.3606	1.3357
December 31, 2013	1.3779	1.3708	1.3816	1.3552
January 31, 2014	1.3500	1.3618	1.3682	1.3500
February 28, 2014	1.3806	1.3665	1.3806	1.3507
March 31, 2014	1.3777	1.3828	1.3927	1.3731

On April 25, 2014, the noon buying rate was USD 1.3838 per EUR 1.00.

3B. Capitalization and Indebtedness

Not applicable.

3C. Reasons for the Offer and Use of Proceeds

Not applicable.

3D. Risk Factors

Set forth below is a description of risk factors that could affect Nokia. There may be, however, additional risks unknown to Nokia and other risks currently believed to be immaterial that could turn out to be material. These risks, either individually or together, could adversely affect our business, sales, profitability, results of operations, financial condition, liquidity, market share, brand, reputation and share price from time to time. Unless otherwise indicated or the context otherwise provides, references in these risk factors to Nokia , we , us and our mean Nokia s consolidated operating segments and refer to Nokia s continuing operations and businesses.

Nokia has announced a new strategy which is subject to various risks and uncertainties, including that Nokia may not be able to sustain or improve the operational and financial performance of its continuing businesses or that Nokia may not be able to correctly identify business opportunities or successfully pursue new business opportunities.

Nokia announced a new strategy on April 29, 2014 after the Nokia Board of Directors conducted a strategic evaluation of the company and its continuing businesses. See Item 4. Information on the Company for a more information on the new strategy and Nokia s continuing businesses. This strategy,

including continued investment into our continuing businesses or new business opportunities that we may pursue, may not deliver a return on investment as planned, or at all. Our ability to achieve our new strategic goals and targets is subject to uncertainties and contingencies, some of which are beyond our control, and no assurance can be given that we will be able to achieve these goals or targets.

The Sale of the D&S Business is a significant transaction to Nokia. The Devices & Services business, generated, over the long-term, a significant portion of our profits and cash, as well as net sales. The operations that were transferred to Microsoft generated EUR 15.1 billion, or approximately 50%, of Nokia s net sales for the full year 2012 and EUR 10.7 billion, or approximately 46%, of Nokia s net sales for the full year 2013. Accordingly, the Sale of the D&S Business is expected to reduce our net sales significantly compared to historical levels. There can be no assurances that Nokia s new strategic and operational focus will succeed in replacing or improving upon the historical contribution of the Devices & Services business to our consolidated results of operations. In addition, the Sale of the D&S Business may lead to us having a less diversified portfolio of businesses and may lead to reduced bargaining power with counterparties or reduced relevance in the overall technology sector and, most specifically in the industries we operate.

We operate in fast-paced and innovative industries. Our business may require significant investment to innovate and grow successfully. Such investment may include research and development, licensing arrangements, acquiring businesses and technologies, recruiting specialized expertise and partnering with third parties. Those investments may not, however, result in technologies, products or services that achieve or retain broad or timely market acceptance or are preferred by our customers and consumers. As such, the investments may not be profitable or achieve the target rates of return. There can be no assurance that we will be able to identify and understand the key market trends and user segments to enable us to address customers and consumers expanding needs in order to bring new innovative and competitive products and services to market in a timely manner. If we are unable to anticipate and respond with speed to these key market trends, or to actively drive future trends, through our product development processes, we may not achieve the intended goals of our new strategy, which may materially and adversely affect our business, financial condition and results of operations.

We may invest in certain new technologies, including investment in market exploration into connectivity capable of handling very large numbers of devices and exponential increases in data traffic, location services that seamlessly bridge between the real and virtual worlds and innovation, including in sensing, radio and low power technologies. Additionally, we continuously seek new business and monetization models. Certain of our competitors have significant resources to invest in market exploration and seek new monetization models or drive industry development and capture value in areas where we are not competitive. Those areas can be, for instance, monetization models linked to the use of advertising, large amounts of consumer data, large connected communities, home entertainment services and alternative payment mechanisms. We may not be able to invest our own resources to compete in these areas, which may in the future prove a competitive disadvantage for us. If we fail in these aspects of our strategy, we may not realize a return on our investments or may incur operating losses and impair our competitiveness for the longer term. We have also made, and may make in the future, these investments through acquisitions. We may, however, fail to successfully complete planned acquisitions or integrate the acquired businesses or assets or retain and motivate their key employees.

In addition to the risks set out above, we may not realize the intended benefits of our new strategy for a number of reasons, including but not limited to:

- The execution of our new strategy fails or is slower than anticipated, for example due to a lack of strategic clarity.
- We are unable to implement an efficient corporate and operational structure for Nokia going forward.

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We have based our strategic choices on expectations or developments that do not materialize as planned or at all, such as those related to market or technological developments.

We fail to effectively invest in the right areas of our continuing businesses or invest in areas that do not deliver intended results and our evaluation of the prospects with respect to the shared opportunities between our continuing businesses do not materialize as planned.

Our announced strategy or its implementation causes disruption in our continuing businesses or results in reduced performance of the continuing businesses.

We lose key talent or are unable to recruit, retain or motive the executives or employees needed to effectively manage Nokia and its continuing business, for example as a result of dissatisfaction with our new strategic direction or uncertainty about our continuing businesses or prospects.

The Sale of the D&S Business may result in inefficiencies in our corporate or operational structure or gaps in resourcing or capabilities due to the transfer of significant amounts of employees, assets, contracts and legal entities to Microsoft.

Our less diversified product and business portfolio may lead to an over-reliance on certain industries, which may materially expose our business and results of operations to certain market trends related to those industries that are beyond our control, such as the availability of competing services at lower cost or free of charge over the internet.

By completing the Sale of the D&S Business with Microsoft, our engagement in the manufacture and sale of mobile phones and smartphones has ceased in accordance with the D&S Purchase Agreement and as such we have a less diversified business position and may lose relevance to customers and consumers that have associated Nokia with the D&S Business.

Deterioration of Nokia s brand or reputation due to Nokia s reduced position in the consumer electronics industry or Nokia s new strategy, or by actions of other parties that have a license to use the Nokia brand for certain purposes. Any such deterioration to the Nokia brand or reputation may have an adverse effect on our continuing businesses.

The focus of our management or other key employees may be diverted from our day-to-day business due to changes in Nokia s structure and business model. In addition, our management or other key employees may focus too much on certain areas of the continuing businesses, which may result in the suboptimal performance of the other businesses.

We may not be able to implement certain required new capabilities, such as data analytics skills needed for certain business areas that involve processing large amounts of data.

We make acquisitions that do not result in the intended benefits, or which are extensive or cause disruption to Nokia s business.

We may fail in successfully marketing our products and services, as we have in the past mainly focused marketing on mobile products and related services.

Negative effects to Nokia or its customer relationships due to speculation about Nokia strategy or the future of its businesses.

We announced a planned capital structure optimization program on April 29, 2014, which focuses on recommencing ordinary dividends, distributing deemed excess capital to shareholders, and reducing interest bearing debt. Nokia is also targeting to returning to being an investment grade company. There can be no assurance that the capital structure optimization program can be executed as currently planned or that it would result in the targeted benefits, including returning us to being an investment grade company. Additionally, returning capital to shareholders reduces our capital, which could expose us to financial

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difficulties or us needing to incur additional indebtedness under certain circumstances, for instance if we have not accurately estimated our need of capital going forward or our business performance.

Networks strategy focuses on mobile broadband and accordingly its sales and profitability depend on its success in the mobile broadband infrastructure and related services market. Networks may fail to execute its strategy or to effectively and profitably adapt its business and operations in a timely manner to the increasingly diverse solution needs of its customers in that market or technological developments.

In line with its strategy, Networks focuses on mobile broadband. Networks has recently evolved this strategy further around end-to-end mobile broadband leadership, services growth, and quality and execution. Accordingly, if Networks is not successful in implementation of its strategy and achieving the desired outcomes in a timely manner or if the mobile broadband infrastructure and related services market fails to develop in the manner currently anticipated by us, or if there are unfavorable variations in Networks product and service mix towards lower margin products or services, Networks business, results of operations, particularly profitability, and financial condition could be materially adversely effected. Networks success with its focus on mobile broadband infrastructure and related services is subject to risks and uncertainties, including:

- Intensity of the competition.

- Further consolidation of Networks customers or competitors.

- Networks may not develop in a timely manner, or at all, mobile broadband products and services that meet future technological or quality requirements and challenges.

- Networks may not be able to correctly estimate technological developments or adapt to those.

- The mobile broadband and related services market may develop in directions that leave Networks deficient in certain technologies and industry areas that impact its overall competitiveness.

- Certain customers who currently buy services and products from Networks that are not regarded as core may choose to turn to alternative vendors to maintain end-to-end service from such vendors.

- Delays in executing relevant initiatives related to the further implementation of Networks strategy.

- Networks may not be able to successfully develop market recognition as a leading provider of software and services in the mobile broadband infrastructure and related services market.

- Networks may not be able to sustain or grow its net sales in the businesses and areas of its strategic focus, this could result in the loss of scale benefits and reduced competitiveness.

- Networks may not be able to continue identifying opportunities and obtaining contracts which meet its requirements and estimates for their profitability and to capture the expected opportunities for additional sales related to deals with lower initial profitability.

- Networks may not be able to continue utilizing the customer relations related to its mobile broadband infrastructure products for advancing its services sales, and Networks may not be able to pursue new services-led growth opportunities.

Networks may not be able to maintain efficient and low-cost operations.

Networks may be adversely effected by economic or political instability or the introduction of trade sanctions; for instance the recent events in Ukraine and the international reaction to them may adversely affect Networks business or operations in Ukraine, Russia and/or related markets.

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Networks faces intense competition and may fail to effectively and profitably invest in new competitive high-quality products, services, upgrades and technologies and to bring them to market in a timely manner.

The mobile broadband infrastructure and related services market is characterized by rapidly changing technologies, frequent new solutions requirements and product feature introductions and evolving industry standards.

Networks business performance depends to a significant extent on the timely and successful introduction of new products, services and upgrades of current products to meet the evolving requirements of its customers, to comply with emerging industry standards and to address competing technological and product developments carried out by its competitors. The research and development of new and innovative, technologically advanced products, including the introduction of new radio frequency technologies, as well as upgrades to current products and new generations of technologies, is a complex and uncertain process requiring high levels of innovation and investment, as well as accurate anticipation of technology and market trends. Networks may focus its resources on products and technologies that do not become widely accepted or ultimately prove not to be viable. Networks results of operation will depend to a significant extent on its ability in following areas:

- Maintaining and developing a product portfolio and service capability that is attractive to its customers.

- Continuing to introduce new products and product upgrades successfully and on a timely basis.

- Development of new or enhance existing tools for its services offerings.

- Optimizing the amount of customer account market specific technology, product and feature variants in its product portfolio.

- Continuing to enhance the quality of its products and services.

- Leveraging its technological strengths.

The participants in the mobile broadband infrastructure and related services market compete with each other on the basis of product offerings, technical capabilities, quality, service and price. The competitive environment in this market continues to be intense and is characterized by maturing of industry technology, equipment price erosion and intense price competition. Moreover, mobile operators cost reductions, network sharing and the industry consolidation among the operators are reducing the amount of available business, resulting in further intense competition and pressure on pricing and profitability.

Networks competes with companies that have larger scale, affording such companies more flexibility on pricing, likewise Networks competes with companies that may have stronger customer finance possibilities due to internal policies or governmental support, such as in the form of trade guarantees, allowing them to offer products and services at very low prices or with attractive financing terms. Networks key competitors have large scale, and industry consolidation could result in even larger scale entities, impairing Networks competitive position. Networks also continues to face intense competition from competitors, including from China, which endeavor to gain further market share and broaden their presence in new areas of network infrastructure and related services business. Competition for new customers, as well as for new infrastructure deployment is particularly intense and focused on price and contract terms in favor of the customers. In addition, new competitors may enter the industry as a result of acquisitions or shifts in technology. For example, the virtualization of core and radio networks and the convergence of information technology and telecommunications may lower the barriers of entry for IT companies to the traditional telecommunications industry. Further, these developments may enable more generic IT and IP hardware to be used in telecommunications

networks leading to further price pressure. If Networks cannot respond successfully to the competitive challenges in the mobile broadband infrastructure and related services market, our business and results of operations, particularly profitability, and financial condition may be materially adversely affected.

Networks failure to effectively and profitably invest in new competitive products, services, upgrades and technologies and bring them to market in a timely manner could result in a loss of net sales and market share and could have a material adverse effect on our results of operations, particularly profitability, and financial condition. Networks needs to introduce products and services in a cost-efficient and timely manner and to manage proactively the costs and cost development related to its portfolio of products and services, including component sourcing, manufacturing, logistics and other operations. Currency fluctuations may also have an adverse impact on Networks ability to manage its costs. If Networks fails to maintain or improve its market position and scale compared to our competitors across the range of our products and services, as well as leverage our scale to the fullest extent, or if it is unable to develop or otherwise acquire software, cost competitively in comparison to our competitors, or if its costs increase relative to those of our competitors due to currency fluctuations, this could materially adversely affect our competitive position, business and results of operations, particularly our profitability.

Networks products are highly complex, and defects in their design, manufacture and associated hardware, software and content have occurred and may occur in the future. Defects and other quality issues may result from, among other things, failures in our own product and service creation and deliveries as well as manufacturing processes, failures of our suppliers to comply with our supplier requirements, or failures in products and services created jointly with collaboration partners or other third parties where the development and manufacturing process is not fully in our control. Quality issues may cause for instance delays in deliveries, liabilities for network outages, additional repair, product replacement or warranty costs to us, and harm our reputation and our ability to sustain or obtain business with our current and potential customers. With respect to our services, quality issues may relate to the challenges in having the services fully operational at the time they are made available to our customers and maintaining them on an ongoing basis. We make provisions to cover our estimated warranty costs for our products. We believe our provisions are appropriate, although the ultimate outcome may differ from the provisions that are provided for, which could have a material adverse effect on our results of operations, particularly profitability and financial condition.

Our intellectual property (IP) portfolio includes various patented standardized or proprietary technologies on which our products and services depend and we also use our IP portfolio for revenue generation. Third parties may use without a license and unlawfully infringe our IP or commence actions seeking to establish the invalidity of the intellectual property rights of these technologies, or we may not be able to sufficiently invent new relevant technologies, products and services to develop and maintain our IP portfolio, maintain the existing sources of intellectual property related revenue or establish new sources.

Our products and services include numerous patented standardized or proprietary technologies. We invest significantly in research and development in our businesses to develop new relevant technologies, products and services. For instance in 2013 our research and development spend through our three continuing businesses amounted to approximately EUR 2.5 billion. Our research and development activities have led to us having one of the industry s strongest IP portfolios in Technologies and a strong portfolio in Networks that our products and services depend on and we also generate revenue by licensing the portfolios. The continued strength of our portfolios depends on our ability to create new relevant technologies, products and services through our research and development activities. If we fail in creating technologies, products and services that are granted protection by intellectual property rights or if the technologies, products and services do not become

relevant and therefore attractive to licensees, the strength of our IP portfolios would reduce, which could adversely affect our ability to use our IP portfolios for revenue generation.

We retained our entire patent portfolio upon the Sale of the D&S Business. In the past parts of our IP creation has been driven by the innovation in D&S Business. As we no longer own this business, this may lead to a reduced level of IP creation or a reduction in the relevance of Nokia s IP to the technology sector. Nokia may also have a diminished ability to influence industry trends and technology selections, reducing the relevance of our IP portfolio.

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 proprietary technologies or by ignoring their obligation to seek a license under our standard essential patents or by seeking to pay less than reasonable license fees.

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. Our ability to protect our IP is dependent on regulatory developments in various jurisdictions and the implementation of the regulations by administrative bodies. As such, regulatory developments or applications of regulations may adversely affect our ability to protect our IP or create IP related revenue.

IP related disputes and litigation are common in the technology industry and are often used to enforce the patents and seek licensing fees. 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. The outcome of court proceedings is difficult to predict and as such our ability to use intellectual property for revenue generation is at times dependent on favorable court rulings. In addition, 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 patents as a basis for product differentiation or from licensing the invalidated or limited portion of our intellectual property rights. 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. Additionally, our IP related revenue could be negatively affected if we were unable to successfully maintain or broaden the scope of licensees or contribute to future innovations and creation of IP.

We enforce our patents against unlawful infringement and generate revenue through realizing the value of our intellectual property by entering into license agreements and through patent transactions. Patent license agreements can cover both licensee s past and future sales. The portion of the income that relates to licensees past sales is not expected to have a recurring benefit and ongoing patent income from licensing is generally subject to various factors that we have little or no control over, for instance sales by the licensees. There are no assurance that our actions to generate intellectual property-related revenue will lead to favorable outcomes, such as patent license agreements on favorable terms to us or that we would be able to use our patent portfolio for revenue generation to a similar extent going forward. While we have various licensees, a significant portion of licensing revenues is generated from a limited number of licensees and as such issues as ends of contracts, licensee business performance or bankruptcies in relation to these select licensees could have a significant impact on our revenue. Due to various reasons including those that are set out above, our

intellectual property related revenue can vary considerably from time to time and there is no assurance that past levels are indicative of future levels of intellectual property related revenue.

Our HERE business includes various risks and uncertainties, including that we may be unable to maintain current sources of net sales in the vehicle segment from which our HERE business has historically derived most of its net sales from, establish a successful location-based platform, extend our location-based services across devices and operating systems or create new sources of revenue.

Our HERE business net sales are mainly derived from sales to the automotive industry, making it dependent on overall developments in that industry and HERE s ability to remain successful in that industry. Our HERE business faces intense competition from several global and local companies with different business models. For example, Google uses an advertising-based model that allows consumers and companies to use parts of its map data and related services in their products free of charge. Google is increasingly competing with our HERE business in the provision of local search and services also to the automotive industry. The success of Google s Android platform and search services from Google can provide a competitive advantage to Google when providing local search and services to the automotive industry. Additionally certain competitors are bringing novel solutions, for instance offering entertainment and information capabilities, into vehicles which can include location intelligence provided by HERE s competitors. Additionally, certain governmental and quasi-governmental agencies are making more map data with improving coverage and content, and high quality, available free of charge or at lower prices. Certain crowdsourcing efforts may also result in the availability of competing map data. Additionally, our HERE business is exposed to various risks and uncertainties, including the following:

- The existing map license data customers may choose not to purchase, or purchase less, content or services from our HERE business.

- HERE net sales and profitability are dependent on developments in the automotive industry, including vehicle sales and adoption of in-vehicle navigation systems.

- HERE strives to be relevant in new and upcoming location-based services, such as augmented reality, new vehicle software systems, and autonomous driving systems. Also, HERE strives to be deeply integrated into the vehicle driver assistance systems. If HERE does not succeed in implementing this strategy, our HERE business could be materially and adversely affected.

- We may have inaccurately predicted market developments in, or market size of, the automotive navigation and personal navigation devices markets or we may lose market share to other manufacturers or other devices offering navigation solutions, including smartphones.

- HERE s competitiveness may be adversely affected if it is unable to effectively collate, process and analyze data, such as end-user behavioral data, and to derive intelligence from that data, which could be used to enhance its product offering.

- We may not be able to use our location-based assets to compete on a standalone basis or support the overall Nokia strategy.

- We may not be able to establish a successful location-based platform through HERE if other competing location-based platforms are preferred by customers and consumers, especially as HERE is a recently launched brand and platform and as such may be disadvantaged to more established brands and platforms.

- We may not be able to establish a successful HERE application suite for the platforms we are targeting.

- Investments into new business opportunities may not give a return on investment as planned, or at all.

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We may not succeed in attracting strategic partners and developers to develop and support our ecosystem around our HERE offering, or provide services that are supported by relevant ecosystems.

Our HERE business may lose bargaining power or perceived relevance as a result of the Sale of the D&S Business, resulting, for instance, in a reduced ability to negotiate favorable terms or to attract partners and customers.

We may fail to attract business partners and merchants to our service offerings.

The service offering we currently provide may not be competitive or another participant may provide a more competitive new offering in the future or new more efficient or affordable ways of map content creation are introduced which may disrupt our own business models.

HERE Maps, involves a possibility of product liability claims and associated adverse publicity. Claims could be made by business customers if errors or defects result in a failure of their products or services, or by end-users of those products or services as a result of actual or perceived errors or defects in the map database. In addition, business customers may require us to correct defective data, which could be costly, or pay penalties if quality requirements or service level agreements are not satisfied.

HERE may be subject to IT issues or cybersecurity breaches, resulting, for instance, in disruptions in online service continuity, privacy breaches and security of customer data issues.

We assess the carrying amount of goodwill annually or more frequently if events or changes in circumstances indicate that such carrying amount may not be recoverable. Additionally, we assess the carrying amount of other identifiable assets if events or changes in circumstances indicate that their carrying amounts may not be recoverable. If revenue from our HERE business does not develop as anticipated or new sources of revenue do not materialize as expected, or at all, the HERE business may not generate enough positive operating cash flow. This or other factors may lead to the decrease in value of our location-based services and commerce assets, leading to further impairments charges that may be negative to Nokia, including goodwill for our HERE business. There was no goodwill impairment charge recorded in 2013 as a result of the goodwill impairment assessment, however an adverse change in any of the key assumptions used in measuring the recoverable value of our HERE business could have resulted in goodwill impairment as the current carrying value of HERE is only slightly lower than its recoverable value. While we believe the estimated recoverable values are reasonable, actual performance in the short- and long-term could be materially different from our forecasts, which could impact future estimates of recoverable value of HERE and may result in impairment charges.

Our sales, profitability and cash flow are dependent on the development of the mobile and communications industry in numerous diverse markets, as well as on general economic conditions globally and regionally.

As we are a global company with sales in most countries of the world, our sales and profitability are dependent on general economic conditions globally and regionally. The traditional mobile communications industry has matured to varying degrees in different markets and, consequently, the industry is more vulnerable than before to the negative effects related to the deterioration in global economic conditions.

Networks sales and profitability are dependent on the development of the mobile broadband infrastructure industry in numerous diverse markets, particularly the growth of the investments made by mobile operators and services providers in network infrastructure and related services. The pace of such investments is in turn dependent on the ability of network providers and mobile operators to

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increase subscriber numbers, compete with alternative business models eroding the revenue from the traditional voice, messaging and data transport services, stimulate increased usage of voice, data and value-adding services that the subscribers will pay for, and maintain their profitability in intense competition.

Negative developments in, or the general weakness of, the economy, particularly in increasing levels of unemployment in the markets in which our customers operate, may have a direct negative impact on the spending patterns of end-users. This may affect both the services they subscribe to and usage levels of such services, which may lead to mobile operators and service providers investing in the related infrastructure and services less than anticipated. Regional and country specific changes may also affect us adversely. We continue to witness political unrest in various regions where we do business, which adversely affected our sales in those markets. For instance, the recent events and instability in Ukraine and the international reaction to them may adversely affect our business or operations in Ukraine, Russia and/or related markets, including as a result of potential trade sanctions or economic uncertainly or slowdown resulting from these events.

Continued difficulties, uncertainty or any deterioration in global economic conditions or a recurrence or escalation of political unrest may result in mobile network operators postponing or reducing their investment in their network infrastructure and related services. The demand for digital map information and other location-based content by automotive and mobile device manufacturers may decline in relation to any further contraction of sales in the automotive and consumer electronics industry. The demand for digital map information and other location-based content by automotive and mobile device manufacturers may decline in relation to any further contraction of sales in the automotive and consumer electronics industry. Our IP licensing business may be affected for instance as licensees may not have motivation to seek new or renew existing licensing arrangements with us or have reduced unit sales, as it is common that licensing fees are tied to unit sales.

In addition, continued difficulties, uncertainty or any deterioration in the global or relevant regional economic conditions may:

- Limit the availability of credit or raise the interest rates related to credit which may have a negative effect on the financial condition, and in particular on the purchasing ability, of some of our customers and may also result in requests for extended payment terms, credit losses, insolvencies, or limited ability to respond to demand.

- Cause financial difficulties for our suppliers and collaborative partners which may result in their failure to perform as planned and, consequently, in delays in the delivery of our products.

- Impair our ability to address the customer requests for longer payment terms through sales of our customer receivables.

- Cause lowered credit ratings of our short- and long-term debt or their outlook from the credit rating agencies and, consequently, impair our ability to raise new financing or refinance our current borrowings and increase our interest costs associated with any new debt instruments.

- Result in failures of derivative counterparties or other financial institutions which could have a negative impact on our treasury operations.

- Increase volatility in exchange rates which may increase the costs of our products that we may not be able to pass on to our customers and result in significant competitive benefit to certain of our competitors that incur a material part of their costs in other currencies than we do; hamper our pricing; and increase our hedging costs and limit our ability to hedge our exchange rate exposure.

- Result in inefficiencies due to our deteriorated ability to appropriately forecast developments in our industry and plan our operations accordingly, delayed or insufficient investments in new market segments and failure to adjust our costs appropriately.

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Cause reductions in the future valuations of our investments and assets and result in impairment charges related to goodwill or other assets due to any significant underperformance relative to historical or projected future results by us or any part of our business or any significant changes in the manner of our use of acquired assets or the strategy for our overall business.

Result in increased and/or more volatile taxes that could negatively impact our effective tax rate, including the possibility of new tax regulations, interpretations of regulations which are stricter or increased effort by governmental bodies seeking to receive taxes more aggressively.

We currently believe our funding position is sufficient to meet our operating and capital expenditures in the foreseeable future. However, adverse developments in the global financial markets could have a material adverse effect on our financial condition and results of operations and/or our ability to access affordable financing on terms satisfactory to us. For a more detailed discussion of our liquidity and capital resources, see Item 5B. Liquidity and Capital Resources and Note 35 of our consolidated financial statements included in Item 18 of this annual report.

Networks is dependent on a limited number of customers and large multi-year contracts and accordingly a loss of a single customer or issues related to a single contract can have a significant impact on Networks.

A large proportion of net sales that Networks generates have historically come from a limited number of customers. As consolidation among existing customers continues, it is possible that an even greater portion of Networks net sales will be attributable to a smaller number of large service providers operating in multiple markets. As part of Networks strategic focus on certain markets, the proportion of the sales to certain key customers in those markets has also grown. These developments will also increase the impact of the outcome of some individual contract tenders on Networks net sales. In addition, mobile operators are increasingly entering into network sharing arrangements, as well as joint procurement agreements, which may reduce their investments and the number of networks available for Networks to service. Further, the procurement organizations of certain large mobile operators sell consulting services to enhance the negotiation position of smaller operators towards their vendors. As a result of these trends and the intense competition in the industry, Networks may be required to provide contract terms increasingly favorable to the customer to remain competitive. Any unfavorable developments in relation to or any change in the contract terms applicable to a major customer may have a material adverse effect on our business, results of operations and financial condition.

Large multi-year contracts, which are typical in the mobile broadband infrastructure and related services business, include a risk that the timing of sales and results of operations associated with those contracts will differ from what was expected. Moreover, such contracts often require the dedication of substantial amounts of working capital and other resources, which may negatively affect our cash flow, particularly in the early stages of a contract, or may require Networks to continue to sell certain products and services, or to certain markets, that would otherwise be discontinued, thereby diverting resources from developing more profitable or strategically important products and services. Any suspension, termination or non-performance by us under the contracts may have a material adverse effect on Networks because mobile operators have demanded and may continue to demand stringent contract undertakings, such as penalties for contract violations.

We may be unable to retain, motivate, develop and recruit appropriately skilled employees.

Our success is dependent on our ability to retain, motivate, develop through constant competence training and recruit appropriately skilled employees with a comprehensive understanding of our current and future businesses, technologies, software, products and services. We seek to create a corporate

culture that is motivational and encourages creativity and continuous learning as competition for skilled personnel remains intense. We have over recent years significantly reduced our workforce and introduced changes in strategies. Changes and uncertainty may cause disruption and dissatisfaction among employees, as well as fatigue due to the cumulative effect of several other reorganizations in the past few years. As a result, employee motivation, energy, focus, morale and productivity may be reduced, causing inefficiencies and other problems across the organization and leading to the loss of key personnel and the related costs in dealing with such matters. Reorganizations and strategic changes may also result in key people leaving the company or resource gaps, some of which may be only noticed after a certain period of time. If the strategic direction of Nokia or any of its businesses is perceived negatively by our employees, this may result in a heightened risk of being able to retain or recruit needed resources. Moreover, our employees may be targeted aggressively by our competitors due to our changes in strategy, and some employees may be more receptive to such offers, leading to the loss of key personnel. Accordingly, we may need to adjust our compensation and benefits policies and take other measures to attract, retain and motivate skilled personnel aligned with the changes to our mode of working and culture needed to implement new strategies successfully. This will require significant time, attention and resources of our senior management and others within the organization and may result in increased costs. We have encountered, 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.

Relationships with employee representatives are generally managed at site level and most collective bargaining agreements have been in place for several years. Our inability to negotiate successfully with employee representatives or failures in our relationships with the representatives could result in strikes by the employees, increased operating costs as a result of higher wages or benefits paid to employees as the result of a strike or other industrial action and/or inability to implement changes to our organization and operational structure in the planned time or cost, or at all. If our employees were to engage in a strike or other work stoppage, we could experience a significant disruption of operations and/or higher ongoing labor costs.

We have operations in a number of countries and, as a result, face complex tax issues and could be obligated to pay additional taxes in various jurisdictions. Further, our actual or anticipated performance, among other factors, could reduce our ability to utilize our deferred tax assets.

We operate our business in a number of countries which involve different tax regimes and the application of rules related to taxation. Applicable taxes, value added tax (VAT) and social taxes for which we make provisions could increase significantly as a result of changes in applicable tax laws in the countries where we operate, the interpretation of those laws by local tax authorities or tax audits performed by local tax authorities. The impact of these factors is dependent on the types of revenue and mix of profit we generate in various countries; for instance, profits from sales of devices or services may have a different tax treatment.

Nokia is subject to income taxes in Finland and in numerous other jurisdictions. Our business and investments globally and especially in emerging market countries are subject to uncertainties, including unfavorable or unpredictable tax law changes (even possibly with retroactive effect), taxation treatment and regulatory proceedings including tax audits. For instance, during early 2013 Nokia became subject to a tax investigation in India, focusing on Indian tax consequences of payments made within Nokia for the supply of operating software from its parent company in Finland. Such proceedings can be lengthy, involve actions that can hinder local operations, affect unrelated parts of our business and the outcomes of such proceedings is difficult to predict. To this end, Nokia has appealed on the underlying withholding tax claim it received in 2013 to the Income Tax Tribunal, Delhi.

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Negative developments or outcome in such proceedings could have adverse effects to our cash flows, income statements and to our financial position. We are required to indemnify Microsoft for certain tax liabilities, including tax liabilities of the Nokia entities acquired by Microsoft in connection with the closing of the Sale of the D&S Business or the assets acquired by Microsoft attributable to tax periods ending on or prior to the closing date of the closing of the Sale of the D&S Business or the certain pre-closing portion of any taxable period that includes the closing date of the closing of the Sale of the D&S Business or taxes imposed with respect to any asset not acquired by Microsoft.

Deferred tax assets recognized on tax losses, unused tax credits and tax deductible temporary differences are dependent on our ability to offset such items against future taxable income within the relevant tax jurisdiction. Deferred tax assets recognized on tax losses, unused tax credits and tax deductible temporary differences are based on our assumptions for future taxable earnings and these may not occur as planned, which may cause the deferred tax asset to be reduced. There can be no assurances that an unexpected reduction in deferred tax assets will not occur. Any such reduction could have an adverse effect on us. Additionally, our earnings have been and may continue to be in the future unfavorably impacted if no tax benefits are recognized for certain deferred tax items. There may also be unforeseen tax expenses that may have an unfavorable impact on us. As a result and given the inherent unpredictable nature of taxation, there can be no assurance that the estimated long-term tax rate of Nokia will remain at current levels or that cash flows regarding taxes will be stable.

We may fail to manage our manufacturing, service creation and delivery, as well as our logistics efficiently, and without interruption, or the limited number of suppliers we depend on may fail to deliver sufficient quantities of fully functional products and components or deliver timely services meeting our customers needs.

Our product manufacturing, service creation and delivery as well as our 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, service creation and delivery as well as our logistics and to produce, create and distribute continuously changing volumes. We may experience difficulties in adapting our supply to meet the changing demand for our products and services, both ramping up and down production at our facilities and network implementation capabilities as needed on a timely basis; 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 and service creation and delivery process or achieving required efficiency and flexibility, whether we manufacture our products and create and deliver our services ourselves or outsource to third parties.

Our manufacturing operations depend on obtaining sufficient quantities of fully functional products, components, sub-assemblies, software and services on a timely basis. Our principal supply requirements for our products are for electronic components, mechanical components and software, which all have a wide range of applications in our products.

In some cases, a particular component or service may be available only from a limited number of suppliers or from a single supplier. In addition, our dependence on third-party suppliers has increased as a result of our strategic decisions to outsource certain activities. Suppliers may from time to time extend lead times, limit supplies, change their partner preferences, increase prices, have poor quality 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 and services on a timely basis. For example, Networks efforts to meet its customer needs during major network roll-outs in certain markets may require sourcing large volumes of components and services from the suppliers and vendors at short notice and at the same time with its competitors. If we fail to anticipate customer

demand properly, an over-supply or under-supply of components and production or services delivery capacity could occur. In many cases, some of our competitors utilize the same contract manufacturers, component suppliers and service vendors. If they have purchased capacity or components ahead of us, this could prevent us from acquiring the needed components or services, which could limit our ability to supply our customers or increase our costs.

We also commit to certain capacity levels or component quantities which, if unused, will result in charges for unused capacity or scrapping costs. The cost efficiencies implemented in our supply chain to meet our targets to reduce Networks production overheads may result in lapses in the availability of certain components, especially in situations of tight supply or demand peaks.

We may not be able to secure components at attractive terms from our suppliers or, a supplier may fail to meet our supplier requirements, such as, most notably, our and our customers product quality, safety, security and other standards. Consequently, some of our products may be unacceptable to us and our customers, or may fail to meet our 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, components or services may need to be replaced. Also, some suppliers may not be compliant with local laws, including, among other things, local labor laws. In addition, a component supplier may experience delays or disruption to its manufacturing processes or financial difficulties or even insolvency or closure of its business, in particular due to difficult economic conditions. Any of these events could delay our successful and timely delivery of products 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.

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, service creation and delivery as well as our logistics, including, but not limited to, strikes, purchasing boycotts, public harm to our brands and claims for compensation resulting from our decisions on where to locate and how to utilize our manufacturing facilities. Such difficulties may result from, among other things, delays in adjusting or upgrading production at our facilities, delays in expanding production capacity, failure in our manufacturing, service creation and delivery as well as 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 not meeting our and our customers quality, safety, security and other requirements, or being delivered late or in insufficient or excess volumes compared to our own estimates or customer requirements, which could have a material adverse effect on our sales, results of operations, reputation and the value of our brands.

Many of our production sites or the production sites of our suppliers are geographically concentrated, with a majority of our suppliers based in Asia. In the event that any of these geographic areas is affected by any adverse conditions, such as natural disasters, geopolitical disruptions or civil unrest that disrupt production and/or deliveries from our suppliers, our ability to deliver our products on a timely basis could be negatively affected, which may materially adversely affect our business and results of operations.

The Sale of the D&S Business may expose us to contingent liabilities and the agreements we have entered into with Microsoft may have terms that prove to be unfavorable to us.

The sale by Nokia of substantially all of Nokia s Devices & Services business, including Smart Devices and Mobile Phones pursuant to the D&S Purchase Agreement may expose us to liabilities or have terms that prove unfavorable to us. Under the D&S Purchase Agreement, we are required to indemnify Microsoft for the breach or violation of certain representations and warranties and covenants made by us in the D&S Purchase Agreement, subject to certain limitations and, in some cases, subject to a cap

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of EUR 284 250 000 and for losses arising from assets not acquired by Microsoft, liabilities retained by us and liabilities that are not primarily related to the D&S Business, subject to certain limitations and, in some cases, subject to a cap of EUR 284 250 000. Significant indemnification claims by Microsoft with respect to the D&S Purchase Agreement and the Sale of the D&S Business could have a material adverse effect on our financial condition. In addition, we are required to indemnify Microsoft for certain tax liabilities, including tax liabilities of the Nokia entities acquired by Microsoft, the D&S Business or the assets to be acquired by Microsoft attributable to tax periods ending on or prior to the closing date of the transaction or the certain pre-closing portion of any taxable period that includes the closing date of the transaction or taxes imposed with respect to any asset not being acquired by Microsoft. The D&S Purchase Agreement may have terms that prove to be unfavorable to us and significant transactions may result in claims between the parties, which can consume time and management attention and the outcome of disputes related to significant transactions may be difficult to predict.

The D&S Purchase Agreement contains certain purchase price adjustment mechanisms. The estimate of the adjustments made for net working capital and cash earnings was slightly positive for Nokia, and we currently expect the total transaction price to be slightly higher than the earlier-announced transaction price of EUR 5.44 billion after the final adjustments are made based on the verified closing balance sheet. In line with the D&S Purchase Agreement, the final purchase price adjustment will be based on the final adjustment amount determined after Closing in accordance with the terms of the D&S Purchase Agreement and as such there are no assurances that this will be the final purchase price adjustment as it may be higher or lower.

Nokia and Microsoft made certain adjustments to the scope of the assets originally planned to transfer. These adjustments included Nokia s manufacturing facilities in Chennai in India and Masan in the Republic of Korea not transferring to Microsoft. In India, our manufacturing facility is subject to an asset freeze by the Indian tax authorities as a result of ongoing tax proceedings. Consequently, the facility remains part of Nokia following the closing of the transaction. Nokia and Microsoft have entered into a service agreement whereby Nokia will produce mobile devices for Microsoft. In the Republic of Korea, Nokia and Microsoft agreed to exclude the Masan facility from the scope of the transaction. Nokia will now take steps to close the facility, which employs approximately 200 people.

As Nokia retains the Chennai facility and is taking steps to close the Masan facility, it continues to face certain risks and costs related to these production facilities that may not be fully remedied by our arrangements with Microsoft, including claims that may be made against Nokia as the owner of these facilities, administrative burden associated with running these facilities, potential claims by authorities and potential reputational damage associated with owning and running these production facilities. After the above mentioned periods, Nokia will need to find alternative solutions for these production facilities, which may further expose Nokia to additional risks and cost associated with such plans.

Our operations rely on the efficient and uninterrupted operation of complex and centralized information technology systems and networks and we store certain personal and consumer data as part of our business operations. If a system or network inefficiency, cybersecurity breach, malfunction or disruption occurs, this could have a material adverse effect on our business and results of operations.

Our operations rely on the efficient and uninterrupted operation of complex and centralized information technology systems and networks, which are integrated with those of third parties. Additionally, we store certain personal and consumer data as part of our business operations. All information technology systems are potentially vulnerable to damage, malfunction or interruption from a variety of sources. We are to a significant extent relying on third parties for the provision of information

technology systems and networks. We may experience disruptions if our partners do not deliver as we have planned or if we are unable to successfully and manage systems together with our partners.

We have made certain adjustments to our information technology systems as a result of the Sale of the D&S Business. We will need to use new service providers and may increase our reliance on certain new technologies, such as cloud based services and certain other services that are used over the internet rather than with the traditional licensing model. Switching to using new service providers and introducing new technologies is inherently risky and may exposes us to a heightened risk of experiencing disruptions in our operations for instance due to network inefficiency, cybersecurity breach, malfunction or other disruptions resulting from information technology systems.

We pursue various measures in order to manage our risks related to system and network malfunction and disruptions, including the use of multiple suppliers and available information technology security. However, despite precautions taken by us, any malfunction or disruption of our current or future systems, or networks such as an outage in a telecommunications network used by any of our information technology systems, or a breach of our cybersecurity, such as an attack, malware or other event that leads to an unanticipated interruption or malfunction of our information technology systems or networks or data leakages, could have a material adverse effect on our brand image, business and results of operations. In addition, if we fail to successfully use our information technology systems and networks, our operational efficiency or competitiveness could be impaired which could have a material adverse effect on our business and results of operations. A disruption, for instance, in our location-based services, could cause significant discontent among users of our products resulting in claims or deterioration of our brand image.

Although we endeavor to develop products and services that meet the appropriate security standards, including with respect to data protection, we or our products and online services, marketing and developer sites may be subject to breaches in our cybersecurity, including hacking, viruses, worms and other malicious software, unauthorized modifications or illegal activities, that may cause potential security risks and other harm to us, our customers or consumers and other end-users of our products. Events or mere allegations of cybersecurity breaches may have a material adverse effect on our business. Additionally, we contract with multiple third parties in various jurisdictions who collect and use certain data on our behalf. Although we have processes in place designed to ensure appropriate collection, handling and use of such data, third parties may use the data inappropriately, breach laws in collecting, handling or using such data or leak such data. This could lead to lengthy proceedings or fines imposed on us as well as adverse effects to our reputation and brand value.

In connection with providing our products to our customers and consumers, certain customer feedback, information on consumer usage patterns and other personal and consumer data is collected and stored through us, either by the consumers or by us or our partners or subcontractors. Loss, improper disclosure or leakage of any personal or consumer data collected by us or that is available to our partners or subcontractors, made available to us or stored in or through our products could result in liability to us and harm our reputation and brand. In addition, governmental authorities may use our networks products to access the personal data of individuals without our involvement, for example, through so-called lawful intercept capability of network infrastructure. Even perceptions that our products do not adequately protect personal or consumer data collected by us, made available to us or stored in or through our products or that they are being used by third parties to access personal or consumer data could impair our sales, results of operations, reputation and brand value.

Our efforts aimed at managing and improving financial performance, cost savings and competitiveness may not lead to targeted results or improvements.

We need to manage our operating expenses and other internal costs to maintain cost efficiency and competitive pricing of our products and services. Any failure by us to determine the appropriate

prioritization of operating expenses and other costs, to identify and implement on a timely basis the appropriate measures to adjust our operating expenses and other costs accordingly, or to maintain achieved reduction levels, could have a material adverse effect on our business, results of operations and financial condition.

Nokia has recently completed large restructuring programs and has over recent years significantly reduced its global work force. In November 2011, NSN (since renamed Networks) announced a strategy, including changes to its organizational structure and an extensive global restructuring program, aimed at improving its competitiveness and profitability. The strategy also included efforts to focus its business and exit certain countries, business areas and contacts. This program was largely completed at the end of 2013 resulting in a reduction of more than EUR 1.5 billion NSN (since renamed Networks) annualized operating expenses and production overheads, excluding special items and purchase price related items. We may in the ordinary course of business institute new plans for restructuring measures. The restructuring programs are costly, potentially disruptive to operations and may not lead to sustainable improvements in overall competitiveness and profitability, and may have a negative effect for instance as result in the loss of scale benefits.

Networks may be adversely affected by negative developments with respect to the customer financing or extended payment terms it provides to customers.

Mobile operators in some markets may require their suppliers, including Networks, to arrange, facilitate or provide financing in order to obtain sales or business. They may also 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. Credit markets in general have been tight since 2009. Requests for customer financing and especially extended payment terms have remained at a reasonably high level. However, the amount of financing provided directly to our customers continued to decrease in 2013.

Uncertainty in the financial markets may result in more customer financing requests. As a strategic market requirement, Networks arranges and facilitates financing or provides longer payment terms to a number of customers, typically supported by export credit or guarantee agencies or through sale of the related receivables. In the event that export credit agencies face future constraints on their ability or willingness to provide financing to Networks customers or there is not sufficient demand to purchase their receivables, there could be a material adverse effect on our business and financial condition. Networks has agreed to extended payment terms for a number of customers, and may continue to do so. Extended payment terms may continue to result in a material aggregate amount of trade credits. Even when the associated risk is mitigated by the fact that the portfolio relates to a variety of customers, defaults in the aggregate could have a material adverse effect on us.

Networks cannot guarantee that it will be successful in arranging, facilitating or providing needed financing, including longer or extended payment terms to customers, particularly in difficult financial market conditions. In addition, certain of Networks competitors may have greater access to credit financing, which could adversely affect our ability to compete successfully for business in the mobile broadband infrastructure and, indirectly, in the related services sectors. Networks ability to manage its total customer finance and trade credit exposure depends on a number of factors, including capital structure, market conditions affecting its customers, the level and terms of credit available to it and to its customers, the cooperation of export credit or guarantee agencies and our ability to mitigate exposure on acceptable terms. Networks may not be successful in managing the challenges associated with the customer financing and trade credit exposure that Networks may have from time to time. While defaults under financings, guarantees and trade credits to our customers resulting in impairment charges and credit losses have not been a significant factor for Networks, these may increase in the future, and commercial banks may not continue to be able or willing to provide

sufficiently long-term financing, even when backed by export credit agency guarantees, due to their own liquidity constraints.

Networks has used the sale of receivables to banks or other financial institutions to improve its liquidity, and any significant change in Networks ability to continue this practice could impair our liquidity. See Item 5B. 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.

If any of the companies we partner and collaborate with were to fail to perform as planned or if we fail to achieve the collaboration or partnering arrangements needed to succeed, we may not be able to bring our products or services to market successfully or in a timely way.

We are increasingly collaborating and partnering with third parties to develop technologies, products and services. Additionally, we have outsourced various functions to third parties and are relying on them to provide certain services to us. These arrangements involve the commitment by each party of various resources, including technology, research and development efforts, services and personnel. Although the objective of the collaborative and partnering arrangements is a mutually beneficial outcome for each party, our ability to introduce products and services that are commercially viable and meet our and our customers and consumers quality, safety, security and other standards successfully and on schedule could be hampered if, for example, any of the following risks were to materialize:

- We fail to engage the right partners or on terms that are beneficial to us.
- We are unable to collaborate and partner effectively with individual partners and simultaneously with multiple partners to execute and reach the targets set for the collaboration.
- The arrangements with the parties we work with do not develop as expected, including their performance, delivery and timing, or include terms which prove unfavorable to us.
- The technologies provided by the parties we work with are not sufficiently protected or infringe third parties intellectual property rights in a way that we cannot foresee or prevent, or private information shared with partners is leaked.
- The technologies or products or services supplied by the parties we work with do not meet the required quality, safety, security and other standards or customer needs.
- Our own quality controls fail.
- The financial condition of our collaborative partners deteriorates which may result in underperformance by the collaborative partners or insolvency or closure of the business of such partners.

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

Our products and services include increasingly complex technologies, some of which have been developed by us or licensed to us by certain third parties. As the amount of such proprietary technologies and the number of parties claiming intellectual property rights continue to increase, even within individual products, as the range of our products becomes more diversified and if we were to

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enter into new businesses, and as the complexity of the technology increases, the possibility of alleged infringement and related intellectual property claims against us continues. The holders of patents and other intellectual property rights potentially relevant to our products may be unknown to us, may have different business models, may refuse to grant licenses to their proprietary rights, 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 alleged 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 the risks of intellectual property rights infringement created by suppliers of components and various layers in our products, 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.

In many aspects the business models for mobile services are not yet established. The lack of availability of licenses for copyrighted content, delayed negotiations, or restrictive 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.

Since all technology standards, including those we use and rely on, 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, the number of third parties declaring their intellectual property to be potentially relevant to these standards, for example, the standards related to so-called 3G and 4G mobile communication technologies, 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. As the number of market entrants and the complexity of technology increases, it remains likely that we will need to obtain licenses with respect to existing and new standards from other licensors. While we believe, most such intellectual property rights declared or actually 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.

From time to time, some existing patent licenses may expire or otherwise become subject to renegotiation. The inability to renew or finalize such arrangements or new licenses 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 and could result in payments that potentially could have a material adverse effect on our operating results and financial condition. 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, require us to pay increased licensing fees, substantial judgments, settlements or other penalties and incur expenses.

Our patent license agreements may not cover all the future businesses that we may enter; our existing businesses may not necessarily be covered by our patent license agreements if there are changes in our corporate structure or in companies under our control; or our newly-acquired businesses may already have patent license agreements with terms that differ from similar terms in our patent license agreements. This may result in increased costs, restrictions to use certain technologies or time-consuming and costly disputes whenever there are changes in our corporate structure or in companies under our control, or whenever we enter new businesses or acquire new businesses.

We make accruals and provisions to cover our estimated total direct IPR costs for our products. 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 owned by 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 condition.

Any restrictions on our ability to sell our products 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 loss 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 a licensing agreement. If licensing agreements were not available or are not available on commercially acceptable terms, we could be precluded from making and selling the affected products, or could face increased licensing costs. As new features are added to our products, 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 4B. Business Overview Patents and Licenses for a more detailed discussion of our intellectual property activities.

We are a company with global operations and with sales derived from various countries, exposing us to risks related to regulatory, political or other developments in various counties or regions.

We generate sales from and have manufacturing facilities and suppliers located in various countries. Additionally, sales from emerging markets that may have a higher degree of regulatory or political risk represent a significant portion of our total sales and those countries represent a significant portion of any expected industry growth. Most of our suppliers are located in and our products are manufactured and assembled in emerging market countries, particularly in Asia. Accordingly, economic or political turmoil, military actions, labor unrest, civil unrest, public health and environmental issues or natural and man-made disasters in those countries could materially adversely affect the supply of our products and services, including network infrastructure equipment manufactured in those countries, our sales and results of operations. In recent years, we witnessed political unrest in various markets where we do business or have operations in, which adversely affected our sales in those markets or operations also outside those countries or regions, and any reoccurrence or escalation of such unrest could do so in the future. For instance, economic or political instability or the introduction of trade sanctions, as a result of the recent events and instability in Ukraine and the international reaction to them may adversely affect our business or operations in Ukraine, Russia and/or related markets, including as a result of potential trade sanctions or economic uncertainly or slowdown resulting from these events.

Further, the economic conditions in emerging market countries may be more volatile than in developed countries, and the purchasing power of our customers and consumers in those countries depends to a greater extent on the price development of basic commodities and currency fluctuations which may render our products too expensive to afford. Our business and investments in emerging market countries may also be subject to risks and uncertainties, including unfavorable or unpredictable taxation treatment, exchange controls, and other restrictions affecting our ability to make cross-border transfers of funds, regulatory proceedings, unsound or unethical business practices, 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.

Our business is subject to direct and indirect regulation in each of the countries where we, the companies with which we work, and our customers, do business. We develop many of our products based on existing regulations and technical standards, our interpretation of unfinished technical

standards or there may be an absence of applicable regulations and standards. As a result, changes in various types of regulations, their application and trade policies applicable to current or new technologies or products may adversely affect our business and results of operations. For example, 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 those networks. Also, changes in the applicable privacy related regulatory framework may adversely affect our business, especially our offering through our networks business, including if there are changes that reduce or are seen to reduce the privacy aspects of our offering, for instance if further governmental interception capabilities are required for the products and services that we offer. Our ability to protect the IP in our products and generate IP related net sales is dependent on regulatory developments in various jurisdictions, as well as the application of the regulations for instance through administrative bodies. Export control, tariffs or other fees or levies imposed on our products and environmental, health, data protection, product safety and data protection, security, consumer protection, money laundering and other regulations that adversely affect the export, import, technical design, pricing or costs of our products could also adversely affect our sales and results of operations. In addition, changes in various types of regulations or their application with respect to taxation or other fees collected by governments or governmental agencies may result in unexpected payments to be made by us, and in response to difficult global economic conditions there may be an increase in the aggressiveness of collecting such fees. The trade sanctions environment can be difficult to navigate for companies with global operations. We may be subject to new, existing or tightened export control regulations, sanctions, embargoes or other forms of trade restrictions imposed on certain countries. Such actions may trigger additional investigations, including tax audits by authorities or claims by contracting parties. The result and costs of such investigations or claims may be difficult to predict and could lead to lengthy disputes, fines or fees, indemnities or a settlement.

Our expansion into the provision of services, including the activities of our HERE business, has resulted in a variety of new regulatory issues and subjects us to increased regulatory scrutiny. Moreover, our competitors have employed and will likely continue to employ significant resources to shape the legal and regulatory regimes in countries where we have significant operations. Legislators and regulators may make legal and regulatory changes or interpret and apply existing laws in ways that make our services less appealing to the end users, require us to incur substantial costs, change our business practices or prevent us from offering our services.

In line with changes in strategy, as well as in some cases a difficult political or business environment and an increasingly complicated trade sanctions environment, Nokia and its Networks business have exited or reduced operations in certain areas or countries, with some of these exits or reductions in operations still-ongoing. We continuously monitor international developments and assess the appropriateness of our presence and businesses in various markets. For instance, in light of the recent developments relating to Iran, Networks is assessing its position on performing business in Iran in compliance with all applicable trade sanctions and regulations, including potentially increasing its business activities with its existing customers in the country, while NSN works with them to find solutions to honor existing contractual obligations. The actions described in this paragraph may have adverse effects on Nokia for instance through triggering additional investigations, including tax audits by authorities or claims by contracting parties or reputational damage resulting for instance in adverse effects to business relationships. The result and costs of investigations or claims may be difficult to predict and could lead to lengthy disputes, fines or fees, indemnities or a settlement.

The impact of changes in or uncertainties related to regulation and trade policies could affect our business and results of operations adversely even though the specific regulations do not always directly apply to us or our products. In many parts of the world where we currently operate or seek to expand our business, local practices and customs may be contrary to our code of conduct and could violate anticorruption laws, including the US Foreign Corrupt Practices Act and the UK Bribery Act

2010 or EU and other applicable trade sanctions and embargoes. Our employees, or others who act on our behalf, could violate policies and procedures intended to promote compliance with anticorruption laws or trade sanctions. Violations of these laws by our employees or others who act on our behalf, regardless of whether we participated in such acts or knew about such acts at certain levels of our organization, could subject us and our employees to criminal or civil enforcement actions, including fines or penalties, disgorgement of profits and suspension or disqualification from sales. Additionally, violations of law or allegations of violations may result in the loss of reputation and business. Detecting, investigating and resolving such situations may also result in significant costs, including the need to engage external advisors, and consume significant time, attention and resources of our management. The result and costs of such investigations or claims may be difficult to predict and could lead to lengthy disputes, fines or fees, indemnities or a settlement.

As a global company, we are subject to various legislative frameworks and jurisdictions that regulate fraud committed in the course of business operations and trade sanctions and as such the extent and outcome of any proceedings is difficult to estimate. Further, our business and results of operations may be adversely affected by regulation and trade policies favoring the local industry participants as well as other measures with potentially protectionist objectives which host governments in different countries may take, particularly in response to difficult global economic conditions.

Our net sales, costs and results of operations, as well as the US dollar value of our dividends and market price of our ADSs, are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Japanese yen and the Chinese yuan, as well as certain other currencies.

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. There can be no assurance, however, that our hedging activities will be successful in mitigating the impact of exchange rate fluctuations. In addition, significant volatility in the exchange rates may increase our hedging costs, as well as limit our ability to hedge our exchange rate exposure in particular against unfavorable movements in the exchange rates of certain emerging market currencies and could have an adverse effect on our results of operations, particularly our profitability. Further, exchange rate fluctuations may have an adverse effect on our net sales, costs and results of operations, as well as our competitive position through their impact on our competitors and customers. Further, exchange rate fluctuations may also materially affect the US dollar value of any dividends or other distributions that are paid in euro as well as the market price of our ADSs. For a more detailed discussion of exchange risks, see Item 5A. Operating Results Certain Other Factors Exchange Rates and Note 35 of our consolidated financial statements included in Item 18 of this annual report.

We may not be able to achieve targeted benefits from or successfully implement planned transactions, such as acquisitions, divestments, mergers or joint ventures, for instance due to issues in selecting successfully the targets or failure to execute transactions or due to unexpected liabilities associated with such transactions.

From time to time, we may consider possible transactions that would complement our existing operations and enable us to grow our business or divest our existing businesses or operations. In addition to the Sale of the D&S Business, we have for instance as part of Networks strategy to focus on mobile broadband, divested certain businesses and may make further strategic divestments in the future.

We cannot provide assurance that any transactions, such as acquisitions, divestments, mergers or joint ventures, we consummate will ultimately provide the benefit we originally anticipate and the return on the acquisition may be below targets or negative. Furthermore, we may not succeed in integrating acquired operations with our existing businesses. We may not overcome problems encountered in connection with

transactions, such as potential acquisitions or completed acquisitions, and such problems could have a material adverse effect on our business, financial condition, results of operation and cash flows.

Transactions, including acquisitions, divestments, mergers or joint ventures involve inherent risks, including:

- The assumption and exposure to unknown or contingent liabilities of acquired businesses.
- The ability to integrate acquired businesses and/or to achieve identified and anticipated operating and financial synergies.
- Unanticipated delays or inability to proceed with transactions as planned, for instance, due to issues in obtaining regulatory approvals.
- Unanticipated costs or changes in scope, for instance, due to issues with regulators or courts imposing terms on a transaction or obstacles that result in changes required in the scope of the transaction.
- The diversion of management attention from existing business.
- The potential loss of key employees and customers.
- Unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition.
- Potential disputes with sellers.
- Impairments related to goodwill and other intangible assets.
- Unexpected costs associated with the separation of the business to be sold.
- Additional payment obligations and higher costs resulting from non-performance by divested businesses.
- Exposure to contingent liabilities in connection with any indemnity we provide to the purchaser in connection with such divestiture.
- Potential post-closing claims for indemnification and disputes with purchasers.
- Our dependency on some of the divested businesses as our suppliers.

High transaction costs.

An unfavorable outcome of litigation, contract-related disputes or allegations of health hazards associated with our business could have a material adverse effect on our business, results of operations, financial condition and reputation.

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

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 vary materially from estimates. We believe that our provisions for pending litigation are appropriate. 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 condition.

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 could have a material adverse effect on our sales, results of operations, share price, reputation and brand value. 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.

Although Nokia products are designed to meet all relevant safety standards and recommendations globally, we cannot guarantee we will not become subject to product liability claims or be held liable for such claims or be required to comply with future regulatory changes in this area that could have a material adverse effect on our business. We have been involved in several lawsuits alleging adverse health effects associated with our product, including those caused electromagnetic fields and the outcome of such procedures is difficult to predict, including the potentially significant fines or settlements. Even a perceived risk of adverse health effects of mobile devices or base stations could have a material adverse effect on us through a reduction in the demand for mobile devices having a negative effect on our continuing businesses, for instance through demand for mobile networks or increased difficulty in obtaining sites for base stations.

See Item 8A7. Litigation for a more detailed discussion about litigation that we are party to.

ITEM 4. INFORMATION ON THE COMPANY

4A. History and Development of the Company

Nokia invests in technologies important in a world where billions of devices are connected. We are focused on three businesses: network infrastructure software, hardware and services, which we offer through *Networks*; location intelligence, which we provide through *HERE*; and advanced technology development and licensing, which we pursue through *Technologies*. Each of these businesses is a leader in its respective field.

Through our three businesses, we have a global presence with operations and R&D facilities in Europe, North America and Asia, sales in approximately 130 countries, and we employ around 55 000 people. We are also a major investor in R&D, with expenditure through the three businesses amounting to more than EUR 2.5 billion in 2013.

Until recently, Nokia was a key participant in the mobile devices market through its Devices & Services business, which largely comprised two business units: Smart Devices and Mobile Phones. In September 2013, Nokia announced an agreement with Microsoft whereby it would sell substantially all of its Devices & Services business to Microsoft. The transaction, which we describe in more detail below, was completed on April 25, 2014.

In this report, we describe the Nokia business as of today, including our three continuing businesses but also provide under Discontinued Operations information about the Devices & Services business which was fully part of the Nokia Group throughout 2013.

For 2013, our three continuing businesses had net sales of approximately EUR 13 billion and generated an operating profit of EUR 0.5 billion.

History

Nokia has a long history of successful change and innovation, adapting to shifts in markets and technologies. From its humble beginning in 1865 with one paper mill, the company has participated in many sectors over time: cables, paper products, tires, rubber boots, consumer and industrial electronics, plastics, chemicals, telecommunications infrastructure and more.

Most recently, Nokia has been best known for its revolutionary wireless communication technologies, which have connected billions of people through networks and mobile phones. Nokia s history dates back to 1865, when mining engineer Fredrik Idestam set up his first wood pulp mill at the Tammerkoski Rapids in Southwestern Finland. A few years later he opened a second mill on the banks of the Nokianvirta River, inspiring him to name his company Nokia Ab in 1871.

In 1967, we took our current form as Nokia Corporation as a result of the merger of Idestam s Nokia AB, Finnish Rubber Works, 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. The new Nokia Corporation had five businesses: rubber, cable, forestry, electronics and power generation.

Nokia first 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 the same year, the world s first car phone for the Nordic Mobile Telephone analog 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 between 1989 and 1996. By 1998, Nokia was the world leader in mobile phones, a position it enjoyed for more than a decade

In 2006, Nokia, which had already been investing in its mapping capabilities for many years, acquired Gate5, a mapping software specialist, and then in 2008 NAVTEQ, the US-based maker of digital mapping and navigational software. Today, Nokia offers leading location services through the HERE business and brand, launched in 2012.

In 2007, Nokia combined its telecoms infrastructure operations with those of Siemens to form a joint venture named Nokia Siemens Networks. NSN, today known as Networks, has become a leading global provider of telecommunications infrastructure, with a focus on offering innovative mobile broadband technology and services.

In 2011, Nokia joined forces with Microsoft to strengthen its position in the highly competitive smartphone market. Nokia adopted the Windows Phone operating system for smart devices and through their strategic partnership Nokia and Microsoft set about establishing an alternative ecosystem to rival iOS and Android. In 2011, Nokia also started to make a number of changes to its operations

and company culture that would in the course of the next two years lead to shortened product development times and better responsiveness to market demand.

In 2013, Nokia moved to reinvent itself with two transformative transactions. The first was the purchase of Siemens stake in the then NSN, which was nearing the end of a deep restructuring and remarkable transformation. The second was the announcement of the sale of substantially all of Nokia s Devices & Services business to Microsoft, which we completed in April 2014.

Following the closing of the Microsoft transaction, Nokia announced its new strategy, building on its three strong businesses: Networks, HERE, and Technologies.

Acquisition of Siemens Stake in NSN

Nokia announced the first of what would be two transformative transactions for the company during 2013 on July 1 when it announced an agreement to acquire Siemens 50% in the companies joint venture Nokia Siemens Networks. The purchase price for Siemens stake was EUR 1.7 billion and the transaction closed on August 7, 2013, at which time NSN became a wholly owned subsidiary of Nokia.

Nokia saw the transaction as an opportunity to create more shareholder value for the group. We had a clear view of NSN s leadership in next generation technologies, such as LTE, as well as its impressive profitability improvement, which was the result of the focused strategy and successful implementation of the company s restructuring program. Furthermore, it was evident to us that NSN was not a core business for Siemens. We saw a good opportunity to purchase Siemens share at what we believed to be an attractive price.

After the transaction closed, we phased out the Siemens name from Nokia Siemens Networks company name and branding and adopted Nokia Solutions and Networks, or NSN, as the name and brand. Upon the announcement of our new strategy on April 29, 2014, NSN is now known as Networks and operates under the Nokia brand.

Following the completion of the transaction, Rajeev Suri continued as CEO of NSN. However, the NSN Board of Directors was adjusted to the new ownership structure, with the Siemens-appointed directors resigning. In addition, Jesper Ovesen stepped down from his position as Executive Chairman of the NSN Board upon the closing of the sale of the Devices & Services Business.

Sale of the Devices & Services Business to Microsoft

The process leading to the announcement of the proposed sale of substantially all of Nokia s Devices & Services business to Microsoft on September 3, 2013, and eventually to the closing of the transaction on April 25, 2014, started in early 2013 when Microsoft approached Nokia indicating its interest in purchasing all or part of our Devices & Services business. After this contact, we carried out an extensive strategic review and considered a wide range of strategic alternatives and scenarios for the company. This review included, among other things, a thorough assessment of what would be possible within the framework of the partnership with Microsoft, outside of it, as well as the value of Nokia s businesses and assets in different scenarios.

During this process and throughout the negotiations, we consulted with our senior management as well as with outside legal and financial advisors. The negotiations with Microsoft progressed and eventually resulted in an offer from Microsoft to purchase substantially all of Nokia s Devices & Services business and to license our patents. After a thorough and careful assessment, we determined at a meeting held on September 2, 2013, that the proposed transaction was advisable, fair to, and in the best interests of Nokia and its shareholders. We decided to enter into the transaction and resolved to submit it to Nokia shareholders for confirmation and approval.

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On September 3, 2013, Nokia announced that it had signed an agreement to enter into a transaction whereby Nokia would sell to Microsoft substantially all of its Devices & Services business, including the Mobile Phones and Smart Devices business units as well as an industry-leading design team, operations including Nokia Devices & Services production facilities, Devices & Services-related sales and marketing activities, and related support functions. Also, in conjunction with the closing of the transaction, Nokia granted Microsoft a 10 year non-exclusive license to its patents and Microsoft granted Nokia reciprocal rights to use Microsoft patents in our HERE services, our mapping and location services business. The total purchase price was EUR 5.44 billion, of which EUR 3.79 billion related to the purchase of substantially all of the Devices & Services business, and EUR 1.65 billion related to the 10 year mutual patent license agreement and the option to extend this agreement to perpetuity. In addition, Microsoft became a strategic licensee of the HERE platform, and separately pays Nokia for a four-year license.

On November 19, 2013, Nokia s shareholders confirmed and approved the transaction at the Extraordinary General Meeting in Helsinki. We were very pleased for the overwhelmingly strong support our shareholders gave for the transaction, as a total of over 99% of the votes cast were in favour of the approval. Having received the approval of Nokia shareholders and regulatory authorities as well as fulfilling other customary closing conditions, the transaction closed on April 25, 2014.

Of the Devices & Services related assets, Nokia s former CTO (Chief Technology Office) organization and patent portfolio remained within the Nokia Group, which are currently part of the Technologies business. The operations that were transferred to Microsoft generated EUR 10.7 billion, or approximately 46%, of Nokia s net sales for the full year 2013.

As is customary for transactions of this size, scale and complexity, Nokia and Microsoft made certain adjustments to the scope of the assets originally planned to transfer. These adjustments included Nokia s manufacturing facilities in Chennai in India and Masan in the Republic of Korea not transferring to Microsoft. These adjustments did not impact the material deal terms of the transaction and Nokia will be materially compensated for any retained liabilities.

In India, our manufacturing facility is subject to an asset freeze by the Indian tax authorities as a result of ongoing tax proceedings. Consequently, the facility remains part of Nokia following the closing of the transaction. Nokia and Microsoft have entered into a service agreement whereby Nokia would produce mobile devices for Microsoft.

In the Republic of Korea, Nokia and Microsoft agreed to exclude the Masan facility from the scope of the transaction. At the time of writing, Nokia was taking steps to close the facility, which employs approximately 200 people.

Altogether, and accounting for these adjustments, approximately 25 000 employees transferred to Microsoft at the closing. Earlier, we had expected approximately 32 000 employees to transfer.

Following the transaction, Nokia continues to own and maintain the Nokia brand. Under the terms of the transaction, Microsoft received a 10 year license arrangement with Nokia to use the Nokia brand on certain Mobile Phones products. Additionally, Nokia is restricted from licensing the Nokia brand for use in connection with mobile device sales for 30 months and from using the Nokia brand on Nokia s own mobile devices until December 31, 2015.

Nokia retains its headquarters in Finland, but as the majority of employees working at the Keilaniemi, Espoo headquarters were focused on Devices & Services activities and support functions it was agreed that the Keilaniemi facility would become a Microsoft site upon the closing of the transaction. Nokia has since relocated its headquarters to the Karaportti campus in Espoo.

New vision, strategy and structure

The completion of the transaction with Microsoft has provided Nokia with a solid basis for future investment. It has also significantly strengthened our financial position, supporting our target of returning to being an investment grade company. On April 29, 2014, and building on this platform of renewed financial strength, Nokia outlined its next steps and future plans in more detail. These included:

- The appointment of Rajeev Suri as President and CEO, effective May 1, 2014;
- A vision to be a leader in technologies important in a connected world;
- A strategy to realize that vision by building on Nokia s three strong businesses in networks, location and technologies;
- Plans for a EUR 5 billion program to optimize capital structure, including the Nokia Board s proposal to the Annual General Meeting 2014 for the dividend and for an authorization for the Board to repurchase shares; and
- A new governance structure and the appointment of a new leadership team, effective May 1, 2014.

Long-term leadership targeted in three key areas

Nokia believes that over the next 10 years billions of connected devices will converge into intelligent and programmable systems that will have the potential to improve lives in a vast number of areas: time and availability, transportation and resource consumption, learning and work, health and wellness, and many more.

This new world of technology will require 1) connectivity capable of handling massive numbers of devices and exponential increases in data traffic; 2) location services that seamlessly bridge between the real and virtual worlds; and 3) innovation, including in sensing, radio and low power technologies. Nokia s vision is to be a leader over the long term in these three areas.

Nokia strategy

Nokia s strategy is to develop its three businesses Networks, HERE, and Technologies in order to realize its vision of being a technology leader in a connected world and, in turn, create long-term shareholder value. Our goal is to optimize the company so that each business is best enabled to meet its goals. Where it makes sense to do so, we will pursue shared opportunities between the businesses, but not at the expense of focus and discipline in each.

Nokia will target the creation of long-term shareholder value by focusing on the following three areas:

1. Through its *Networks* business (formerly NSN), Nokia will invest in the innovative products and services needed by telecoms operators to manage the increase in wireless data traffic which is more than doubling every year. Future investment will focus on further building on our strong position in mobile broadband and related services, and strengthening our leadership position in next-generation network technologies.

Today, the Networks business serves more than 90 of the world s 100 largest operators, is a leader in the large and dynamic mobile broadband market, and is ranked third in estimated global market share in mobile radio and second in telecommunication services. An early leader in virtualization and cloud technologies, Networks conducted trials and pre-commercial live projects with more than 50 customers in 2013.

2. Through its *HERE* business, Nokia is will invest to further develop its location cloud to make it the leading source of location intelligence and experiences across many different operating systems, platforms and screens. Given that location is an essential element of a connected

world, we will target our investment in three areas: 1) technology for smart, connected cars; 2) cloud-based services for personal mobility and location intelligence, including for the growing segment of wearables and special purpose devices; and 3) location-based analytics for better business decisions.

Today, HERE is the leading global provider of map content, powering four out of five in-car navigation systems. Its location platform is used by leading internet companies such as Amazon, Microsoft and Yahoo.

3. Through its *Technologies* business, Nokia will invest in the further development of its industry-leading innovation portfolio. This will include 1) expanding our successful intellectual property licensing program; 2) helping other companies and organizations benefit from our breakthrough innovations through technology licensing; and 3) exploring new technologies for use in potential future products and services.

The Technologies team includes hundreds of world-class scientists and engineers who have driven more than half of Nokia s recent patent filings and many of whom are recognized as leading experts in fields that are essential for enabling the future connected world. These areas include low-power connected smart multi-sensor systems, distributed sensing, and intelligent interplay between various types of radio technologies.

Nokia s continuing businesses invested more than EUR 2.5 billion in research and development in 2013. We believe that the company has a strong financial position and the capacity to continue to make the investments necessary to remain an innovation leader in the three segments in which it competes.

Clear operational governance and structure; strong leadership team

Nokia will adopt a simple and clear operational governance model, designed to facilitate innovation and growth. As of May 1, 2014, all three businesses will report to the Nokia President and CEO, who has full accountability for the performance of the company. HERE and Technologies each will have a single leader reporting to the President and CEO. To ensure efficiency and simplicity, the Nokia President and CEO will assume direct control of the Networks business and key Networks leaders will report to him.

The primary operative decision-making body for the company will be the Nokia Group Leadership Team, which will be responsible for Group level matters, including the company strategy and overall business portfolio. Effective May 1 2014, the Nokia Group Leadership Team will replace the current Nokia Leadership Team, and the President and CEO will chair the Group Leadership Team, which will consist of the following members:

Rajeev Suri as President and CEO of Nokia.

Timo Ihamuotila as Executive Vice President and Group Chief Financial Officer.

Michael Halbherr as CEO of HERE.

Henry Tirri as Executive Vice President, and acting Head of Technologies.

Samih Elhage as Executive Vice President and Chief Financial and Operating Officer of Networks.

Effective May 1, 2014 the interim governance structure of Nokia will cease to exist. Risto Siilasmaa, who has been serving as an interim CEO since September 3, 2013, will focus exclusively on his role as the Chairman of the Nokia Board of Directors. In addition, Timo Ihamuotila will step down from the interim President position.

Consistent with the planned structural changes we announced on April 29, 2014, Networks (formerly Nokia Solutions and Networks, or NSN) and Technologies will operate under the Nokia brand. HERE will retain its distinct identity within the Nokia family and, where appropriate, will be identified as A Nokia Company . The NSN name will no longer be used after a short phase-out period.

Organizational Structure and Reportable Segments

We have three businesses: Networks, HERE, and Technologies, and four operating and reportable segments for financial reporting purposes: Mobile Broadband and Global Services within Networks, HERE, and Technologies.

Networks also contains Networks Other, which includes net sales and related cost of sales and operating expenses of non-core businesses, as well as Optical Networks business until May 6, 2013, when its divestment was completed. It also includes restructuring and associated charges for Nokia Solutions and Networks business. Additionally, as a result of the Sale of the D&S Business, we report certain separate information for Discontinued Operations.

On August 7, 2013, Nokia completed the acquisition of Siemens stake in Nokia Siemens Networks, which was a joint venture between Nokia and Siemens. NSN was consolidated by Nokia prior to this transaction. Beginning in the third quarter of 2013, Nokia has reported financial information for the two operating and reportable segments within NSN; Mobile Broadband and Global Services. As of the fourth quarter of 2013, the Devices & Services business has been reported as Discontinued Operations. To reflect these changes, historical results information for past periods has been regrouped for historical comparative purposes. As is customary, certain judgments have been made when regrouping historical results information and allocating items in the regrouped results.

For the breakdown of our net sales and other operating results by category of activity and geographical location in 2013, see Item 5 and Note 2 to our consolidated financial statements included in Item 18 of this annual report.

Other

During 2014, we currently expect the amount of capital expenditure from continuing operations, excluding acquisitions, to be approximately EUR 200 million, primarily attributable to Networks, and to be funded from our cash flow from operations.

During 2013, our capital expenditures, excluding acquisitions, totaled EUR 407 million, compared with EUR 461 million in 2012. For further information regarding capital expenditures, see Item A Operating results , and for a description of capital expenditures by our reportable segments, see Note 2 to our consolidated financial statements included in Item 18 of this annual report.

We maintain listings on two major securities exchanges. The listing venues for our shares are NASDAQ OMX Helsinki, in the form of shares, and the New York Stock Exchange, in the form of American Depositary Shares.

Following the closing of the Sale of the D&S Business on April 25, 2014, our principal executive office is located at Karakaari 7, FI-02610 Espoo and our telephone number is +358 (0) 10 44 88 000.

4B. BUSINESS OVERVIEW

The following discussion focuses mainly on Nokia s three businesses: Networks, HERE, and Technologies. Prior to its sale, the Devices & Services business was a reportable segment for Nokia

until the end of the third quarter 2013 and was reported as Discontinued Operations as of the fourth quarter 2013.

CONTINUING OPERATIONS

Networks

Market Overview

The mobile infrastructure and related services market comprises a broad range of different products, from the hardware components of networks used by network operators to software solutions supporting the efficient interaction of them as well as services to plan, implement, run and upgrade mobile operators networks. The fundamental driver of demand in the mobile infrastructure and related services market is the ever-growing need for greater bandwidth and capacity. Bandwidth requirements are rapidly expanding as markets transition to data-rich websites and video-based and other web applications become more commonly deployed, and as market penetration of data intensive devices such as smartphones and tablets increases.

Segment Overview

Through Networks (formerly NSN), Nokia is a leading global provider of telecommunications infrastructure that focuses on the mobile broadband market. We believe we are the third largest company worldwide by revenue in our target market. We have a strong position in the newer infrastructure technologies of 3G and 4G (LTE). In 3G, we are the industry leader by customers served, with more than a billion subscribers connected through our 3G networks. In LTE, we had 117 commercial contracts at the end of 2013.

Networks is the former NSN business, which began operations on April 1, 2007, combining the networks business of Nokia Corporation and the carrier-related operations of Siemens AG for fixed and mobile networks. Since August 7, 2013, the business has been wholly owned by the Nokia Corporation and is now operating under the Nokia brand.

Networks continues to focus on mobile broadband. The company believes this market will continue to grow as mobile operators face the challenge of increasing demand for greater network capacity and improved user experience. At the same time, mobile operators are continually seeking ways to meet subscriber demands in a cost-effective manner. With a specialist approach to mobile broadband, targeted research and development, and a streamlined structure, Networks has positioned itself to enable operators to address these challenges.

The company has an installed base of around 600 customers worldwide and these operators serve over 4 billion subscribers. Networks customers include many of the world s largest mobile operators, including Bharti Airtel, China Mobile, Deutsche Telekom, NTT DoCoMo, Softbank, Sprint, Telefónica, Verizon and Vodafone among them.

For the year ended December 31, 2013, Networks had net sales of EUR 11.3 billion and total assets of EUR 8.6 billion.

Strategy

Networks has identified the following key developments in its industry:

- *Industry consolidation*. In a market faced with flat to modest growth, possible operator consolidation and disruption of IT and telecommunications convergence, Networks believes operators choice of suppliers will lead to only a limited number of network infrastructure and

related service vendors to be able to achieve or maintain the necessary scale in the future evolution of radio technology.

Entry of new players. The convergence of IT and telecommunications enables a shift of network intelligence from telecom-specific platforms to generic data centers using IT and IP hardware. While we believe this creates an opportunity for telecommunications vendors to provide cloud technology and network function virtualization, we believe that this also creates opportunities for both start-ups and established IT companies and may result in new participants entering into our industry.

Mobile data traffic growth. The exponential growth in mobile data traffic continues. Networks currently predicts that worldwide mobile data traffic can be approximately 1 000 times that of 2010 before the year 2020.

Mixed radio technology environment. Mobile networks have four generations of co-existing radio technologies supporting billions of connected devices. The operators need to manage the complexity of multiple radio technologies, and modernize their networks in a flexible and efficient manner to cope with evolving technological requirements while optimizing their capital investments. Innovations like self-organizing networks and Single RAN will help to manage multiple technologies.

Declining operator revenue growth. Operators revenues from traditional mobile voice and text messaging continue to decline, as subscribers adopt over-the-top applications for voice and messaging, while the revenue growth from the data traffic appears to not be sufficient to maintain the past growth rates of the operators overall revenues.

Network sharing and operator consolidation. Network sharing presents opportunities for operators to achieve scale and efficiencies, improve customer experience, and improve their profitability, along with addressing operators needs for radio frequency spectrum for their telecommunication networks, and may further facilitate possible operator consolidation.

Utilization of spectrum assets and re-farming. Operators are increasingly allocating data services to more efficient bands of radio frequency spectrum, sharing radio spectrum and re-using free GSM frequencies to support 3G and 4G rollouts.

Spectrum availability. Frequency spectrum is a limited and expensive resource that is essential to an operator s ability to address the fast pace of mobile data traffic growth.

Telco cloud and virtualization. Cloud technology and virtualization of core network can be deployed to provide solutions quickly and cost-efficiently as IT and IP hardware commoditize and transform to more software-driven solutions.

From data analytics to cognitive networks. By using cognitive (self-aware) telecommunications networks, operators can ensure their infrastructure is able to automatically adapt to rapidly changing requirements on their networks.

Networks strategy announced in 2011 is built around focus, quality and innovation. To address the industry developments identified above, we have evolved this strategy around three areas: 1) end-to-end mobile broadband leadership, 2) services growth, and 3) quality and execution. Overlying these areas we have defined three enablers of its strategy: innovation, automation and partnering.

1) *End-to-end Mobile Broadband Leadership*

Networks continues to focus on its current Radio and Core businesses, as well as plans to address new areas within mobile broadband for further growth. In the Radio business, we are focused on strengthening the company s position in SingleRAN technology, which allows the same hardware platform to be used for different generations of radio technology, and using it to develop an improved

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position in the LTE market. Further, we believe small cells, which are targeted on a smaller geographical area and a fewer number of users, represent an area of significant opportunity for the future and that we have a competitive advantage with its microcells and picocells which are estimated to be the smallest in the industry and are also uniquely able to provide feature parity with larger macro cells. In the Core business, we estimate it has taken an early lead in the effort of providing a fully virtualized Liquid Core, as well as positioning itself well with respect to the emerging telco cloud through its already existing commercial solutions.

2) *Services Growth*

During the recent transformation of the company, we rebalanced our Global Services business unit by adjusting the services portfolio, exiting from certain unprofitable customer deals and focusing its attention on the business and geographic areas in which we can add the most value for our customers. In its refreshed services strategy, we have placed increased focus on the revenues of Global Services by concentrating on three priority areas:

- Pursuing services-led growth opportunities, particularly in the Network Optimization and Managed Services businesses. We are developing new services and business models, for instance for telco cloud.

- Capitalizing on the volume of the Mobile Broadband business unit to increase the attached Network Implementation and Systems Integration services.

- Improving the operational excellence of Global Services; optimizing both end-to-end delivery of services and the day-to-day running of networks through Care services.

3) *Quality and Execution*

We plan to make quality a competitive differentiator for Networks and believe that the importance of end-to-end quality is increasing in the telecommunications industry, while the complexity and cost of delivering it are rising as well. The intolerance of lapses in service from mobile broadband subscribers and operators means that quality improvements have a direct impact on the reputation and success of network suppliers. We aim to meet these quality requirements proactively to ensure that mobile operators can provide their customers with an excellent end-user experience. We are also focusing on continuously improving efficiency in all operations.

Innovation

We employ a strategy of customer-focused innovation, which aims to deliver a better return on investment for its customers than pure technology research, and to direct resources and attention to specific challenges faced by operators.

We have one of the largest research and development commitments in the telecommunications industry with total expenditures of EUR 1.8 billion in 2013. The efforts of our R&D teams result in a stream of continuous improvement, technology breakthroughs and industry awards.

For example, the company s Flexi Multiradio base stations have, since their first shipment in 2008, been shipped to close to 300 customers. New generations of the product are continuously in development and launch, such as the launch of our new Flexi Zone LTE microcell and picocell base stations in November 2013.

We also focus on innovation in the area of customer experience management (CEM) which involves various tools that help operators to better meet their subscribers demands and monetize their network investments.

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With a portfolio of almost 4 000 patent families, Networks is a significant holder of intellectual property rights (please also see the section Research and Development below).

Partnering

We aim to leverage the broader IT and telecommunications ecosystem with an increased focus on partnerships, ranging from largely standardized areas of transport, packet networks and IT hardware, to core virtualization, network security, Liquid Applications and specialized services.

Automation

We have leveraged automation in areas such as Global Delivery and R&D Centers, making considerable progress in efficiency and profitability. We now plan to extend the automation focus to other areas, aiming to improve efficiency and gain more time for value-added work dedicated to improving our offerings for customers.

Networks Business Overview in 2013

During 2013, Networks made progress in a number of areas relative to its strategy, including the following:

- We won LTE contracts for China Mobile s and China Telecom s nationwide TD-LTE networks; with Chunghwa Telecom in Taiwan; Celcom in Malaysia; Sprint in the United States; US Cellular s second wave of LTE services; with TIM Brasil and Oi Brasil; Movistar and Claro in Chile; MTS in the Moscow and Central Russia regions; SFR in Paris; Tele2 in the Netherland; Vodafone in New Zealand, and Ooredoo in Qatar.

- We continued to stay at the forefront of mobile broadband, further enhancing its Radio Base Station Smart Scheduler and launching a powerful TD-LTE Base Station radio module; and introducing new (FlexiZone) microcell and picocell base stations.

- Networks and China Mobile enabled the world s first live TV broadcast via TD-LTE; Networks and the Singapore-based operator StarHub completed Southeast Asia s first 3GPP standard Voice over LTE call in a live network; Networks and Panasonic Mobile Communications were selected by NTT DOCOMO in Japan to develop LTE-Advanced next-generation mobile broadband network architecture; Networks also helped all three major Korean operators SK Telecom, LG U+ and Korea Telecom to become the world s first operators to launch LTE-Advanced services commercially.

- Networks and SK Telecom of South Korea completed the world s first proof-of-concept of Liquid Applications over LTE, and Networks successfully demonstrated its telco cloud capabilities in a joint proof-of-concept for Evolved Packet Core (EPC) virtualization with SK Telecom.

- The Lebanese telecommunications operator, touch, chose our operations support systems (OSS) portfolio and related integration services; Zain Kuwait deployed our Customer Experience Management (CEM) solution, and our CEM contract with Beijing Mobile was extended.

- We announced research co-operation with China Mobile Research Institute; made a multi-year commitment to 5G research activities together with the NYU WIRELESS research center; and announced its participation as a founding member in the 5G public-private partnership between the European Union and 5G PPP Association.

In June 2013, ABI Research ranked us as number one in its macro base station vendor competitive assessment; and industry analyst firm Gartner positioned us in the Leaders quadrant of the Magic Quadrant for LTE Network Infrastructure, for the second consecutive year.

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Restructuring

In November 2011, NSN (now Networks) announced its strategy to focus on mobile broadband and services. It also announced an extensive global restructuring program, targeting the reduction of its annualized operating expenses and production overhead, excluding special items and purchase price accounting related items, by EUR 1 billion by the end of 2013, compared to the end of 2011. In January 2013, this target was raised to EUR 1.5 billion, and in July 2013 this target was further raised to more than EUR 1.5 billion . While these savings were expected to come largely from organizational streamlining, the program also targeted areas such as real estate, information technology, product and service procurement costs, overall general and administrative expenses, and a significant reduction of suppliers in order to further lower costs and improve quality. By the end of 2013, the business had achieved this target.

Non-core Businesses, Divestments and Portfolio Management

As part of its strategy of focusing on mobile broadband, Networks has divested a number of businesses not in line with company direction. In 2013, Networks completed the divestment of its Optical Network business to Marlin Equity Partners, and the divestment of the Business Support Systems operations to Redknee. This was in addition to the five transactions closed in the course of 2012, including the divestments of the microwave transport business, former Motorola Solutions WiMAX business, fixed-line broadband access business, Belgacom-related IPTV assets and NSN s proprietary broadband business, Expedience.

Organization

Networks has two business units: Mobile Broadband and Global Services. The Mobile Broadband business unit provides flexible and adaptable network solutions for mobile voice and data services through its Radio and Core businesses. The Radio business covers all generations of the technology: GSM, CDMA, WCDMA, and LTE. The Core product portfolio includes a comprehensive mobile switching portfolio and voice and packet core solutions as well as smartphone-friendly Liquid software providing a high level of network capacity and performance. Additionally, Mobile Broadband s expertise in customer experience management, virtualization and software-rich solutions helps operators to deal with the new technology trends such as cloud computing, big data, multimedia content, special events, and security.

The Global Services business unit provides mobile operators with a broad range of services. Network Implementation includes services needed to build, expand or modernize a communications network efficiently. Customer Care includes software and hardware maintenance as well as competence development services. Within the Managed Services business, Networks takes the responsibility for running a range of services for operators, from network operations to service operations, which enables operators to manage service life-cycles efficiently and enhance their customers experience. The Network Planning and Optimization business offers network assessment and capacity and configuration planning. Our Systems Integration capabilities ensure that all the elements of a new mobile broadband solution seamlessly bring together new and legacy technologies. We use global and local services experts and centralized tools and architecture at two Global Delivery Centers and five Global Service Delivery hubs around the world. These delivery centers, which deliver a growing proportion of our services, consolidate a range of service solutions into one location to provide greater efficiency for customers.

Sales and Marketing

Our direct sales force or sales support teams are active in approximately 120 countries. They help to ensure that we are close to our customers, both physically and in terms of understanding the local market, and helps us develop stable customer relationships.

In 2013, our country operations were grouped into three main geographical markets: Asia, Middle East and Africa; Europe and Latin America; and North America. These three markets further divide into regions containing our sales and delivery teams, which benefit from a close relationship with mobile operators in their countries. Our operating approach in the various regions and countries is tailored according to the requirements of the countries and their respective operator customers.

Our Asia, Middle East and Africa (AMEA) Market spans an expansive and varied geographical scope ranging from advanced telecommunications markets, such as Japan and Korea, to developing markets, such Bangladesh, India, Kenya and Vietnam. We have strong mobile broadband momentum in the AMEA market, including Saudi Arabia, China, Japan, Korea, Indonesia, and Australia and works with the leading operators in this market, such as Vodafone, China Mobile, China Unicom, China Telecom, SoftBank, KDDI, NTT DoCoMo, KT, SKT, Telkomsel, Bharti Airtel, Etisalat, Ooredoo, STC and, and Zain. The AMEA market has one Global Delivery Center in India.

Our Europe and Latin America (ELAT) Market is further divided into the regions of Europe and Latin America. The European region includes our headquarters in Finland and the Global Delivery Center in Portugal. In Europe, we work with all the region s major operators, including Orange, Vodafone Group, Deutsche Telekom, MTS Sistema, MegaFon, TeliaSonera and WIND, serving hundreds of millions of customers. Operators like Telefónica, TIM and Portugal Telecom are present in both Europe and Latin America, on a very large scale. We also have extensive R&D expertise in Europe, including some of its largest technology centers working on future mobile broadband technologies. In Latin America, we work with all major operators, including Oi, TIM, Telefónica, América Móvil, Telecom Personal, Nuevatel and Avantel. We believe that the mobile broadband market in Latin America has high potential, as the majority of mobile devices are not yet 3G capable.

Our North America (NAM) Market comprises operations in the United States and Canada. Teams across the region work with 8 of the top 10 North American mobile operators, as well as local operators, key cable companies, and government entities. With strong demand for advanced services driven by growth in the smartphone market, 4G LTE has been strongly embraced by all major NAM operators. These operators have invested in an attempt to provide the best in coverage and speed to grow their market share. We believe our major LTE contract with T-Mobile USA, the new TD-LTE contract with Sprint, and the IP multimedia subsystem (IMS) solution with Verizon have positioned our mobile operator customers well to compete in this competitive market. We also have the Innovation Lab , which is our flagship mobile broadband testing and development facility located in Silicon Valley. We estimate that North America was one of the fastest growing markets in 2013, delivering strong net sales growth for us in 2013 both in terms of products and services.

Networks Marketing and Corporate Affairs organization is responsible for developing, executing and measuring corporate strategies, plans and budgets for marketing, communications, government relations, health and safety, and security. The organization drives product launches and sales enablement, manages corporate reputation, and oversees the health and safety and security of employees and contractors. Following the announcement by Nokia of its new strategy, it is also charged with raising the visibility of the Nokia brand and positioning the company as a leader in the telecommunications industry, as well as, more broadly, a technology leader in a world where everyone and everything is connected.

Production of Infrastructure Equipment and Products

Networks Operations unit handles the supply chain management of all of the business s hardware, software and original equipment manufacturer products. This includes supply planning, manufacturing, distribution, procurement, logistics, supply network design and delivery capability creation in product programs.

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As of December 31, 2013, Networks had seven manufacturing facilities worldwide: four in China (Beijing, Shanghai, Tianjin and Suzhou), one in Finland (Oulu), one in India (Chennai) and one in Russia (Tomsk).

Certain components and sub-assemblies for products, such as company specific integrated circuits and radio frequency components, are sourced and manufactured by third-party suppliers. We then assembles these components and sub-assemblies into final products and solutions. For selected products and solutions, suppliers deliver goods directly to customers. Consistent with industry practice, we manufacture telecommunications systems on a contract-by-contract basis.

Research and Development

Networks has ten Global Technology Centers with specific technology and competence profiles in China, Finland, Germany, Hungary, India, Poland and the United States.

Networks research and development (R&D) activities and product portfolio are software-driven, and the majority of R&D resources are dedicated to software development. The R&D organization is designed to have a flat structure to encourage process discipline, and at the same time increased R&D automation is implemented for improved efficiency. We focus on creating a strong partner ecosystem and effective management of portfolio decision-making for its partners and suppliers and their products. The Mobile Broadband business unit conducts R&D internally as well as with external partners when additional capacity or expertise is required.

Through Networks, Nokia is one of the largest investors in R&D in the telecommunications industry, with total expenditures of EUR 1.8 billion in 2013, and with approximately 16 000 R&D personnel, at the end of 2013. These R&D capabilities are designed to give us the ability to keep up with the pace of change in the telecommunications sector, where the products and their development needs to be faster, more intelligent, more efficient, interconnected, context-aware and adaptive, driven by an evolving device landscape and exponential data traffic growth.

We believe that the geographical diversity of its R&D network is an important competitive advantage for Networks. In addition, the ecosystem around each of its R&D sites helps it connect with experts worldwide, complemented by cooperation with universities and other research facilities.

In recent years, we have increased our R&D efficiency and scale by aligning resources with its focus on the mobile broadband and related services market. Since the end of 2008, we have more than doubled its development capacity in terms of research hours in next generation radio and core, such as LTE, small cells, IMS/Voice over LTE, evolved packet core and customer experience management, while reducing capacity by more than 50% on more mature technologies such as GSM and CDMA.

Networks Technology & Innovation unit complements the R&D organization by focusing on developing and implementing cutting-edge technologies that are several years more advanced than other technologies currently in the market. Technology & Innovation also has responsibility for research, standardization, intellectual property rights and innovation. The unit cooperates with universities, research institutes, leading industry partners and other industry cooperation bodies worldwide.

Patents and Licenses

Intellectual property assets are fundamental to Networks and its business units. We believe Networks is an industry leader in the research and development of wireless, broadband and transport technologies, and has a robust patent portfolio in a broad range of technology areas. Networks seeks to safeguard its investments in technology through appropriate IPR protections and it has generated and maintained an extensive portfolio of patents covering significant innovations arising from its

research and development activities since the business s formation, including patents, design patents, trade secrets, trademark registrations, and copyrights. Additionally, where deemed necessary, Networks obtains licenses to use standards-essential and other patents in its hardware and software solutions for both fixed and mobile network infrastructure.

Networks owns a large portfolio of almost 4 000 patent families comprising of approximately 11 000 individual patents and patent applications across an array of technologies, some of which were transferred from Nokia and Siemens upon the formation of the business as NSN in 2007.

Networks IPR portfolio includes high-quality standard-essential patents (SEPs) and patent applications which have been declared to ETSI and other SDOs as essential to LTE, WCDMA, TD-SCDMA, WIMAX, GSM, CDMA2000 and other standards. In addition, Networks holds copyright registrations relating to certain aspects of its products and services.

Networks receives and pays patent license royalties in the ordinary course of its business based on existing agreements with telecommunications vendors. The company has in place a number of patent license agreements with other major companies and patent holders, both directly and through Nokia, that afford it freedom to operate without risk of infringing standard-essential patents owned by such entities.

Competition

Conditions in the market for mobile network infrastructure and related services continued to be intensely competitive during 2013. With a relatively flat market, competition was intense, most notably around growth areas such as 4G (LTE).

Industry participants have changed significantly in recent years. Substantial industry consolidation occurred in 2006 and 2007 with the emergence of three major European vendors: Alcatel-Lucent, Ericsson, and the then Nokia Siemens Networks. In November 2009, Ericsson acquired Nortel s CDMA and LTE business and, in April 2011, NSN acquired the majority of Motorola Solutions wireless network assets.

During this period, the market also saw the rise of Huawei and ZTE, both of which have gained market share by leveraging their low-cost advantage in tenders for customer contracts. In recent years, the technological capabilities of these vendors, particularly Huawei, have improved significantly, resulting in competition not only on price but also on quality. In 2013, Huawei continued to grow its market share albeit at a slower pace than in previous years, further challenging European vendors. In 2012 and 2013, competition emerged from Samsung Electronics, which expanded its network infrastructure business out of its domestic Korean market with limited gains in Europe and the United States.

At present, we consider five companies Ericsson, Alcatel-Lucent, Huawei, ZTE and Samsung Electronics to be our main competitors as major network infrastructure providers. We also competes with Cisco Systems, Oracle and NEC.

In 2013, the overall telecommunications infrastructure market was flat in terms of capital expenditure, mainly attributable to increased investment by operators in Japan, Asia Pacific and North America being off-set by declines in Europe.

The continued decline of legacy technologies such as 2G (GSM) and CDMA that was experienced in 2012 continued during 2013. After reasonable growth in 2011, the 3G radio market declined in 2012, and the decline has accelerated during 2013. This decline has been off-set by the growth in 4G (LTE), which has emerged as a fast-growing commercial technology in markets outside the early adopting United States, and especially in Asia.

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Within the 4G market, leading vendors are competing based on factors such as technology innovation, network topology and simplified network architectures, as well as network quality and network virtualization. Competition in legacy radio technologies remains intense as deployments of single Radio Access Network technology are viewed as a critical entry point for networks, particularly by vendors looking to win share in new markets. This was particularly intense in 2011, but has showed some signs of easing during last two years.

In services, which remained a growth area in the industry, our business is increasingly tied directly to the mobile broadband product business, in particular in areas such as Care and Network Implementation. As a result, pricing, efficiency and roll-out capabilities are competitive drivers. The development of its global service delivery capability, which allows us to perform more tasks remotely using standardized tools and processes, is increasingly important. Competition in services is from both traditional network providers such as Ericsson, Alcatel-Lucent and Huawei, as well as non-traditional telecommunications entities and system integrators, such as Accenture and IBM. In addition to these companies, there are also local service companies competing, which have a narrower scope in terms of served regions and business areas. In 2013, Alcatel-Lucent and Networks scaled back their activities in the lower profitability areas of services such as field maintenance and some managed networks operations.

Certain of our competitors may receive governmental support allowing them to offer products and services at substantially lower prices. In some regions, restricted access to capital continues to cause mobile operators to reduce capital expenditure and creates demand for vendor financing. Certain of our competitors may have stronger customer financing options due to internal policies or government support.

HERE

Market Overview

The market for location services has undergone significant change in recent years. Access to location services has broadened from personal navigation devices (PNDs) such as those in cars to multiple devices and screens, including smartphones. Location is now a key aspect of the mobile and web experience, whether it is to seek live subway departures, check restaurant ratings, share location-tagged images on social networks, or track pending online deliveries.

The industry is also delivering location experiences in a different way. Until recently, static maps tended to be provided on disc or pre-installed on a device, whereas today users are increasingly being delivered content and services over the Internet in real time thanks to cloud-based technologies. Cloud-based location services hold the potential to transform the lives of many people and industries. Companies in the automotive, enterprise, mobile and broader consumer electronics industries are already making considerable investments in and around location services, and location will be a critical element in, for example, the areas of wearable computing, augmented reality, personal activity tracking, connected cars, and autonomous driving.

Segment Overview

HERE is the leading company in the location intelligence business, delivering highly precise and up-to-date maps, a location platform, and location experiences across multiple screens and operating systems. Built on more than 25 years of experience in cartography and drawing on more than 80 000 sources of data, we offer maps for more than 190 countries, voice guided navigation in 95 countries in more than 50 languages and live traffic information for 34 countries. We believe our map is the best digital representation of the real world in terms of accuracy, coverage, richness and freshness. More than 3 000 geographic analysts around the world maintain and improve the quality of the core map. Altogether, HERE employs approximately 6 500 people, with its major development sites in Berlin in Germany and Chicago, Boston and Sunnyvale in the United States.

HERE s customer base includes many of the world s leading companies from the automotive, commerce, mobile, Internet and consumer electronics industries. Customers can license map content, our location platform, specific location services or all or parts of the HERE offering. The platform is device and operating system-agnostic and includes functionalities such as routing, traffic and positioning, a digital 3D reference model of the world, the development tools with which customers can create their own experiences on top of our map, and the analytical tools to make sense of location-based data. The flexibility in being able to choose all or specific parts of HERE s offering enables us to serve a broad range of customers with different business models and needs.

Nokia launched HERE as a brand in 2012, prior to which it was already an established business operating under the Nokia name. The business has developed organically and through acquisitions, the most significant of which were location software provider Gate5 in 2006, digital mapping provider NAVTEQ in 2008, and data capture company earthmine in 2012.

Since 2006 the year in which Nokia was also the first company to launch a mobile phone with in-built GPS we have been driving fundamental changes to our map. Chiefly, we have developed our map from a static, two-dimensional form akin to a digital version of a paper map to a dynamic, three-dimensional digital representation of the world rich in real time and contextually-relevant information drawn from both real-world and digital sources.

In recent years, amid advances in wireless connectivity and a growing need for ever-more-relevant data, we have also been driving a fundamental change to the way we build and deliver map and location data. Increasingly, our location experiences are powered by our location cloud, which processes and delivers data to smartphones, tablets, in-car navigation systems and other devices over the cloud in real time, reducing the need for those devices to do any heavy computing themselves.

We already aggregate data related to parking, gas prices, traffic, weather and more, and see further opportunities in a world where billions of devices, including phones, tablets and cars, are connected. Accordingly, we are investing in technologies and analytics capabilities to ensure our location cloud can harness the collective power of the data those devices generate to deliver real-time, predictive and relevant information to every individual user. We believe the next generation map has to be fresh, predictive and very rich.

The automotive market is a clear growth area for us. More and more cars will be connected to the cloud, which will drive an increase of data and services in areas such as traffic, predictive driver behavior, driver safety and autonomous driving, all of which are areas in which we are investing. In addition to the automotive industry, we invest in and target growth opportunities to offer our services to Internet companies and to companies operating in the consumer electronic industry.

HERE Business Overview in 2013

In 2013 HERE made significant progress towards our goal of becoming the leading location cloud business with the introduction of new, innovative products as well as updates to its signature experiences, a number of new partnerships that demonstrate that HERE is the preferred partner across industries for maps and location-based technology, and through further extending its reach across a number of operating systems.

HERE announced a complete Connected Driving offer, including HERE Auto, HERE Auto Cloud and HERE Auto Companion. It is the only end-to-end driving solution on the market today, which will help car makers and in-vehicle technology suppliers connect the car to the cloud.

HERE radically improved its traffic product, HERE Traffic, by building a new system and engine that processes data even faster and more accurately than before.

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Continental Corporation implemented 3D content from HERE in its new entertainment platform. Automotive manufacturers can expand their location-based applications to include rich 3D landmarks, satellite imagery with split screen and current traffic information. This also will advance the multi-modal transportation concept another step by providing drivers the ability to synch their route profiles across in-dash systems in their vehicles and their smartphone, tablet or PC.

Garmin continued to put their trust in HERE across the globe by adopting Natural Guidance in North America and Europe, changing the way people provide directions to each other. This includes leveraging local knowledge and market research to incorporate local nuances for choosing and describing reference cues such as the color of a building or the name of a restaurant.

HERE teamed up with Mercedes-Benz to jointly develop smart maps for connected cars and ultimately, self-driving cars leveraging cloud technology.

The embedded navigation systems of more than 10 million new cars sold in 2013 are powered by maps from HERE. This milestone underlines the leadership of HERE in providing navigation and mapping solutions for the automotive industry.

HERE continued to strengthen its popular and critically acclaimed suite of integrated location experiences on Windows Phone with a number of updates throughout the year and further strengthened the Windows Phone 8 ecosystem by making the suite available for all Windows Phone 8 devices.

Sales and Marketing

HERE s core business has been licensing content and platform technologies and today it has agreements with most of the world s leading automotive brands, as well as many Internet and technology companies including Amazon, Microsoft and Yahoo.

Research & Development

HERE is an R&D-intensive business. The team is focused on building and enriching our core map as well as developing the platform and cloud technologies with which we can ensure the effective delivery of the map and location services to our customers irrespective of the device they use.

HERE collects data in over 200 field offices, across 56 countries. We have hundreds of cars driving the roads every day. Our most advanced vehicles capture 700 000 data points per second with their 360-degree cameras and LiDAR. As a result, our large data factories make 2.7 million changes to the map every single day.

In addition to collecting data with our own fleet of cars, we aggregate data from another 80 000 sources, including but not limited to parking, gas price, traffic, weather and points of interest (POI) data. To maintain the freshest maps, we compile, test and publish them continuously. From usage, we collect billions of data points to train our real-time traffic, routing and search engines.

Our longer-term R&D efforts are focused on the development of software and data analytical capabilities that would support our plan to convert behavioral data into such data which can serve as a basis for location services that are more predictive.

Competition

Historically, the market for mapping data has been structured like many other content-centric service businesses with just a few leading suppliers delivering map data to fragmented end markets. Today, HERE and Google Maps are the largest suppliers, followed by TomTom.

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In contrast to HERE, which has a licensing model for its map data and platform, Google uses an advertising-based model allowing consumers and businesses to use its map data and related services free of charge. Google has continued to leverage Google Maps as a differentiator for Android, bringing certain new features and functionalities to the platform.

TomTom licenses map data to Apple, which offers its own mapping service. Apple, which has sought to strengthen its location assets and capabilities through targeted acquisitions and organic growth, offers its maps through iOS, the operating system that powers its range of iPhones and iPads. Apple s map offering has displaced Google Maps, which had been pre-loaded on iOS for many years following the iPhone s launch in 2007, although a native iOS application from Google Maps is available to iPhone users via download. TomTom also licenses its map data to other companies in different industries.

While content remains hugely important, HERE has been increasing its focus on platform technologies which can power up-to-date and predictive maps more tailored to the individual user and we believe that in this regard the only competitive platform to ours is that of Google. Google s focus is on visuals and search, while HERE has historically been focused on the automotive industry. Our platform is seen as the benchmark in the automotive space and the business is making rapid progress in the mobile space with significant investments into visuals, including the earthmine acquisition in 2012.

We believe that economies of scale and scope in the mapping services industry favor players that are able to provide end-to-end hardware-agnostic solutions which include proprietary content, platform technologies and applications. In this sense, we believe the mapping industry will continue to transition away from pure content-based business models towards cloud-based solutions.

TECHNOLOGIES

Market Overview

Technologies aims to be a leader in technology development and licensing, building on several of Nokia s Chief Technology Office (CTO) and intellectual property rights activities. Prior to the sale of substantially all of our Devices & Business to Microsoft, Nokia s CTO focused primarily on developing innovations in the mobile devices market. In particular, much of its work aimed at bringing new technologies and features to our own range of mobile devices to help make them differentiated from competitors offerings. Today, as part of our newly formed business, Technologies, the research agenda of our engineers, scientists and researchers is shifting to address opportunities in a broader market that both encompasses and goes beyond mobile devices. We see a world where hundreds of billions of devices large, small and miniscule will connect to form intelligent systems, and we see significant potential for our own technologies in that world.

Segment Overview

Technologies develops technologies which it believes will be important in the programmable world . We seek to create value from our investments by helping other companies and organizations benefit from our innovations through our established and successful licensing business. Additionally, we are also exploring the possibility of utilizing new technologies in our own future products and services.

We formed Technologies upon the closing of the transaction to sell substantially all of our Devices & Services business to Microsoft. The business combines a leading team from our Chief Technology Office with our world-class Intellectual Property Rights activities which have developed on the back of Nokia having invested cumulatively more than EUR 50 billion in research and development over the last two decades. Previously working closely with our Devices & Services business, the personnel which form our Advanced Technologies business solve problems in project-specific teams in addition

to working closely with leading universities and technology partners around the world. Our primary technology development centers are in Espoo and Tampere in Finland and California in the United States. The majority of our IPR team is based in Finland.

Innovations from our Technologies business have created and shaped fundamental technologies used in all mobile products and in multiple wireless communications technologies today. We are continuing to build on that heritage to drive further innovations, with a focus on connectivity, sensing and material technologies, as well as imaging, web and cloud technologies.

We manage a portfolio with approximately 10 000 patent families comprising of around 30 000 individual patents and patent applications. In industry terms, our portfolio is relatively young: in ten years from now, two-thirds of our current patents will continue to be in force.

Sales and Marketing

While a new business, Technologies already has significant ongoing research and development activities and an established licensing program. We manage our intellectual property as a technology asset and seek a return on investment by making the innovation available to the markets through different licensing activities and transactions. We have more than 60 licensees, mainly for Nokia standard-essential patents.

We see further opportunities in licensing our proprietary technologies, intellectual property and brand assets into telecommunications and adjacent industries. Over the last ten years, we have also systematically licensed certain Nokia proprietary technologies, which we have decided not to reserve solely for our internal use. This has enabled numerous companies and businesses to benefit from Nokia innovation, in areas such as connectivity and imaging.

Research & Development

Technologies has advanced research and development activities, in countries including Finland, the United States, and the United Kingdom. We also collaborate in open innovation with universities and research institutes around the world.

The applied nature of our R&D in Advanced Technologies has resulted in the team making various relevant and valuable inventions both in and around the technologies that we believe will be important in the programmable world as well as emerging consumer experiences. In recent years, the team has contributed more than half of the new patent filings in Nokia, and has been particularly strong in, for example, 3G and 4G patents, codecs and imaging.

We hold several central roles in standardization bodies and we contribute to the standardization work by filing technical proposals, which when found relevant are often accepted and embodied in standards. In addition, we develop reference implementations while defining the standards, which result in significant innovations which cover proprietary ways to implement relevant technologies.

Our achievements Technologies in recent years include:

- Nokia being among the founders of several local connectivity technologies such as Bluetooth, Bluetooth low energy, and NFC.

- Nokia leading the way in introducing multiple sensor technologies into mobile devices, such as audio, imaging, positioning, motion and touch.

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Nokia being among the first to deploy web based applications in mobile devices. Nokia continues to invent ways to build software for the emerging multi-device cloud.

Nokia s development of 3G and 4G technologies. Nokia s intellectual property in this area is widely recognized as being highly relevant for mobile devices for the foreseeable future.

In recent years, we have reached several important patent license agreements. For example, we announced in November 2013 that Samsung had extended a patent license agreement between Nokia and Samsung for five years. The agreement would have expired at the end of 2013. According to the agreement, Samsung will pay additional compensation to us for the period commencing from January 1, 2014 onwards, and the amount of such compensation will be finally settled in a binding arbitration, which is expected to be concluded during 2015.

Nokia s CTO unit, which our Advanced Technologies business is built on, continued advanced research and development of sensing and materials technologies, including Nokia Research Center s efforts as a founder partner and board member of the European Union s Graphene Flagship, the EU s biggest research initiative ever. During 2013, NRC s Cambridge lab in the UK demonstrated one potential for graphene, creating an ultra-thin, transparent, flexible humidity sensor capable of unprecedented response times. The sensor s fast performance and physical properties make possible a wide range of exciting future applications.

Competition

During 2013, Technologies revenue came from intellectual property income. The majority of the IP income was from licensing our standards essential patents. We are a leading innovator in key cellular standards, as well as wireless LAN, NFC and various audio, speech and video codecs, and we believe the licensing of essential patents will continue to be a strength for us.

Of our current IP portfolio, approximately one-third is related to radio communications, one-third to software and services, and one-third to product technologies. As we expand our successful licensing program to cover patents which have not been broadly licensed to date, as well as proprietary technologies and other intellectual property, we could face competition from alternate technologies or solutions. However, it is too early to anticipate which of these may be significant in future.

DISCONTINUED OPERATIONS

Devices & Services Operations Sold to Microsoft

Market Overview

Since the early 1990s, mobile telecommunications penetration has grown rapidly and today billions of people own a mobile device. Over the same period, what people can do with their mobile device has also undergone fundamental change. With early models enabling voice calls and text messaging, the mobile phone has developed into a powerful computing and Internet device with which we take photographs, listen to music, watch television and movies, play games, navigate, bank, shop and more. Supported by new-generation mobile networks, the mobile phone or smartphone together with their larger-screened phablet and tablet offshoots are today the primary interfaces through which we access and consume web and cloud services.

In recent years, success for participants in the mobile devices market has been influenced by their ability to build, catalyze or be part of a competitive ecosystem , examples of which include those based around the Google Android, Apple iOS, Microsoft Windows and BlackBerry software platforms. A vibrant ecosystem creates value for consumers, giving them access to a rich and broad range of user experiences through an array of different form factors and screen sizes, such as smartphones, tablets, televisions, desktop computers and games consoles. Each based on software platforms with

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different technologies, the leading ecosystems have enjoyed differing degrees of success in attracting the resources of developers and other industry participants such as hardware manufacturers, software providers, publishers, entertainment providers, and advertisers. Consequently, they have also enjoyed differing degrees of success in attracting consumers.

Segment Overview

With the closing of the Sale of the D&S Business to Microsoft in April 2014, Nokia has exited the business of selling mobile devices. Prior to the sale, Nokia created products for virtually every demographic and every geography worldwide, with sales in more than 160 countries. Through 2013, the Devices & Services business comprised of two business units: Mobile Phones, which focused on the area of mass market entry and feature phones as well as affordable smartphones; and Smart Devices, which focused on our most advanced products, including smartphones powered by the Windows Phone operating system.

Mobile Phones

During 2013, our Mobile Phones unit, which was acquired by Microsoft in its entirety, shipped more than 200 million mobile devices. The unit developed ultra-low cost phones, feature phones and affordable smartphones, with most models running the Nokia Asha software platform and the Series 30+ operating system. In early 2014, the unit also introduced its first affordable smartphones based on the Nokia X software platform, which offers access to Android applications. Our major Mobile Phones development sites were in Beijing in China and Oulu in Finland.

The strategy of our Mobile Phones unit focused on leveraging the company s innovation and strength in growth markets to provide people with an affordable Internet experience on their mobile device. Our most affordable products were targeted at consumers for whom durability, good battery life and price are most important. Mobile Phones also produced a range of affordable smartphones whose hardware, software and services are optimized for and not compromised by low price points.

As part of Nokia s transaction with Microsoft, Microsoft has licensed for a limited time the Nokia brand for use with certain products from the Mobile Phones unit as well as acquired the Asha brand under which Nokia marketed some of its Mobile Phones products.

Smart Devices

Our Smart Devices unit, which was acquired by Microsoft in its entirety, developed smartphones based on Microsoft s Windows Phone operating system. In October 2013, the unit also introduced its first tablet device. Our major Smart Devices development sites were in Beijing in China, San Diego in the United States and in Salo, Tampere and Greater Helsinki in Finland.

Nokia brought its first Windows Phone products under the Lumia brand to market in 2011, several months after entering into a strategic partnership with Microsoft that brought together our respective complementary assets and expertise to build a new global mobile ecosystem for smartphones. We then expanded the depth and breadth of our Lumia range, contributing to Windows Phone becoming the third-largest ecosystem system globally during 2013. As part of Nokia s transaction with Microsoft, Microsoft acquired the Lumia brand.

Sales and Marketing

We derived our net sales of mobile devices primarily from sales to mobile network operators and distributors, and to a lesser extent independent retailers, corporate customers and consumers. Our marketing efforts were aimed at creating consumer loyalty, enhancing the Nokia brand and increasing

sales. In the marketing of our mobile devices, we focused on expanding awareness of the key points of differentiation in our products and services, such as the imaging capabilities of our high-end smartphones or the robust quality and long battery life of our most affordable feature phones. During 2013, we also continued to expand our digital marketing efforts, including engaging consumers through our own social media channels, including Nokia Conversations, which is among the most popular company blogs worldwide.

Production of Mobile Devices

In 2013 Nokia operated in a total of eight production facilities for the production and customization of mobile devices. The production facilities were in Manaus, Brazil; Beijing and Dongguan, China; Komárom, Hungary; Chennai, India; Reynosa, Mexico; Masan, Republic of Korea and Hanoi, Vietnam. We opened our Hanoi facility, which focused on producing Nokia s most affordable Asha smartphones and feature phones, in 2013.

Competition

The mobile device industry has undergone radical changes since 2007, with new entrants and operating systems changing the competitive landscape, particularly in the area of smartphones.

In smartphones, our competitors have pursued a wide range of strategies. Apple, for example, deploys its proprietary iOS operating system on its popular iPhone smartphones and iPad tablets, while many other device manufacturers in the industry are utilizing Google s Android operating system. Android, which is available to anyone without a software license cost, has made entry into and expansion in the smartphone market easier for a number of hardware manufacturers, especially at the mid-to-low price points of the smartphone market. Samsung has become by far the most successful vendor using Android, offering a broad portfolio of devices including high-end smartphones under the Galaxy series. Vendors such as HTC, LG, Google s own Motorola, and Sony also have an Android-based offering, while Android has become a springboard to market for a number of Chinese vendors too. In particular, many have grown market share by developing affordable Android handsets with low-cost chipsets from MediaTek of China.

When deploying the Android operating system on a smartphone, vendors have an opportunity to join Google s Open Handset Alliance (OHA), which then requires them to deploy Google-developed services on their products. Alternatively, vendors can choose not to join the OHA and instead use only the Android operating system made available through the Android open source project, meaning that they can offer their own services in place of those provided by Google. Xiaomi, which has also employed novel go-to-market strategies including selling phones in bulk online auctions, is among the Chinese vendors which have been most successful in building market share.

Generally, the increased availability of lower cost chips and components has seen fully-fledged smartphones become available at lower price points, with some models offered for sale for under EUR 75. Consequently, the market for traditional feature phones has narrowed in scope, though in practice the distinction between the feature and smartphone markets has also blurred since many feature phone models including those from Nokia offer a variety of smartphone functionalities. In Nokia s case, the company offered affordable devices which combined basic smartphone features with important features such as long battery life, durability, and robustness. In this portion of the market, we competed with established vendors such as Samsung but also increasingly with certain vendors with manufacturing facilities primarily centered around certain locations in Asia and other emerging markets which produce inexpensive devices with oftentimes low quality and limited after-sales services.

Seasonality Networks, HERE and Technologies

For information on the seasonality of NSN, HERE and AT, see Item 5A. Operating Results Certain Other Factors Seasonality.

Sales in US Sanctioned Countries: Networks, HERE, Technologies and Discontinued Operations

General

We are a global company and have sales in most countries of the world. For more information on our organizational structure see Item 4A. History and Development of the Company Organizational Structure and Reportable Segments . Cuba, Iran, Sudan and Syria are targets of comprehensive United States economic sanctions and the United States government has designated these countries as state sponsors of terrorism .

We cannot exclude the possibility that third parties acting independently from us have exported our products to countries from other countries in which we sell them. We also distribute certain services, through the Internet. In terms of these offerings, we have industry standard systems in place recognizing users IP addresses and, if applicable, block the access to our service offerings if they are not intended for a certain market or country. We cannot exclude the possibility that our services when distributed through the Internet, may be accessed in markets or countries which they are not intended for if the industry standard protective mechanisms, such as IP address blocks, are circumvented.

Continuing Operations

In 2013, we sold through our continuing operations, Networks, HERE and AT certain services and network equipment to customers in Iran, Sudan and Syria. Our continuing operations did not have any sales in Cuba in 2013, 2012 or 2011. Our aggregate net sales to customers in Iran, Sudan and Syria accounted for approximately 0.01% of Nokia s continuing operations total net sales, or EUR 1 million, in 2013; 0.49% of Nokia s continuing operations total net sales, or EUR 76 million, in 2012; and approximately 1.06%, or EUR 169 million, in 2011.

Discontinued Operations

In 2013, we sold mobile devices and services through our Discontinued Operations to customers in Iran, Sudan and Syria. Our Discontinued Operations did not have any sales in Cuba in 2013, 2012 or 2011. Our aggregate net sales to customers through our Discontinued Operations in Iran, Sudan and Syria accounted for approximately 1.02% of its total net sales, or EUR 110 million, in 2013; 1.24% of Discontinued Operation s total net sales, or EUR 188 million, in 2012; and approximately 1.65% of Discontinued Operation s total net sales, or EUR 382 million, in 2011.

We closed the local Iranian office for our Devices & Services business, now classified as Discontinued Operations, in 2012. There were no employees based in Iran for our Discontinued Operations for the year ended December 31, 2013. The other activities relating to the termination of the local presence in Iran for Discontinued Operations have been ongoing, such as closing of the local branch. In connection with terminating the presence in Iran, we have routine contacts with governmental agencies in Iran as required, such as with respect to activities related to closing the local branch. Our Discontinued Operations sold mobile devices, accessories and certain free of charge items such as digital content and services into Iran through regional distributors based outside of Iran.

After the completion of the Sale of the D&S Business, completed on April 25, 2014 we are no longer managing the business described in this Discontinued Operations section.

Disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights

Act of 2012 (ITRA)

Networks- then operating as NSN made the decision in November 2011 to withdraw from the Iranian market in a controlled manner and reached the milestone of ceasing all revenue-generating activities relating to Iran as of July 16, 2013. Networks has been working with its current customers in Iran to find solutions to honor existing contractual obligations. Further, in the light of the recent international developments, Networks is assessing its position on performing business in Iran in compliance with all applicable trade sanctions and regulations, including potentially increasing its business activities with its existing customers in the country. In connection with the business activities relating to Iran, Networks has routine contacts with governmental agencies in Iran as required, for example, to maintain a legal presence in Iran, pay taxes, employ Iranian nationals and offer customary work related services and facilities and maintain shareholdings in certain Iranian companies as required under Iranian law and as is customary under Iranian business practices. NSN expects to manage these contacts and shareholdings in line with the information provided above.

To our knowledge, none of our sales through HERE, Technologies or Discontinued Operations in Iran in 2013 are required to be disclosed pursuant to ITRA Section 219. To our knowledge, none of our sales of network equipment and services through Networks in Iran in 2013 are required to be disclosed pursuant to ITRA Section 219, with the possible exception of the following: During the year ended December 31, 2013, Networks provided 2G Radio, core and transmission equipment, including related implementation and care services, in Iran under agreements with Mobile Communications Company of Iran (MCCI) and MTN Irancell. Additionally, during the year ended December 31, 2013, Networks purchased certain fixed line telephony services from Telecommunication Company of Iran (TCI) and certain mobile telephony services from MCCI. Through a branch of its Finnish subsidiary, Networks employs personnel in Iran to perform its contractual and regulatory obligations in Iran. In connection with these agreements, Networks maintains a shareholding in Pishahang Communications Network Development Company (Pishahang), as required under Iranian law and as is customary under Iranian business practices. NSN holds 49% of the outstanding shares of Pishahang. The other major shareholder in Pishahang is Information Technology Application Development TACFAM Company (Tacfam). Tacfam holds 49% of the outstanding shares of Pishahang. Although it is difficult to do with a reasonable degree of certainty, we have concluded that the possibility that TCI, MCCI, MTN Irancell or Tacfam is owned or controlled, directly or indirectly, by the Government of Iran cannot be excluded. During the year ended December 31, 2013, NSN divested its 20% shareholding in Iran Telecommunications Manufacturing Company (ITMC).

During the year ended December 31, 2013, Networks did not recognize sales revenue from agreements with MCCI and MTN Irancell, and recorded a net loss for that period.

Networks closed its bank accounts in Iran with Bank Tejarat on August 13, 2013. Networks conducted transactions in these accounts until March 17, 2012 mainly relating to winding down its activities. Between March 17, 2012 and August 13, 2013, no transactions were conducted in these accounts with the exception of maintaining a balance so that unpresented checks issued on these accounts could be honored upon presentment to Bank Tejarat.

Government Regulation Networks, HERE and Technologies

Our business is subject to direct and indirect regulation in each of the countries in which we, the companies with which we work and our customers do business. As a result, changes in or uncertainties related to various types of regulations applicable to current or new technologies, products and services could affect our business adversely. Moreover, the implementation of technological or legal requirements could impact our products and services, manufacturing and distribution processes, and could affect the timing of product and services introductions, the cost of our production, products and services, as well as their commercial success. Also, our business is subject to the impacts of changes in trade policies or

regulation favoring the local industry participants, as well as other measures with potentially protectionist objectives that the host governments in different countries may take. Export control, tariffs or other fees or levies imposed on our products and services as well as environmental, product safety and security and other regulations that adversely affect the export, import, pricing or costs of our products and services could adversely affect our net sales and results of operations.

For example, in the United States, our products and services 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, consumer privacy, competition and sustainability. In the European Union the EU level or local member state regulation has in many areas a direct impact on our business and customers. The European regulation influences for example conditions for innovation for multifunctional devices and services, as well as investment in fixed and wireless broadband communication infrastructure. In China new partly local 3G telecom standards have been enacted that may affect production processes and have impact on our business. Additionally, with respect to certain developing market countries for example in Asia and in Latin and South America the business environment we operate in can pose risks to our business due to unpredictable, discriminatory or protectionist regulation.

We are in continuous dialogue with relevant state agencies, regulators and other decision makers through our experts, industry associations and our representatives in Washington, D.C., Brussels, Espoo, Berlin, Beijing and Delhi and through our experts, industry associations and representatives in the regions of Middle East and Africa, Latin and South America and South-East Asia.

Corporate responsibility Nokia Group, excluding Networks

During 2013, the corporate sustainability activities of Nokia, including its Devices & Services-related activities, were managed separately from those of Networks. Consequently, in the following discussion, we present corporate sustainability activities firstly for Nokia, which covers all of our operations, including the operations sold to Microsoft but excluding Networks. Thereafter, we provide separate discussions of the corporate sustainability activities of Networks and certain information for the operations sold to Microsoft in the Discontinued Operations section.

Sustainability issues are reviewed regularly at various levels of the company, including within the Nokia Leadership Team and the Board of Directors, and we have personnel across the business responsible for environmental and social targets.

The basic principles of our sustainability work are: Valuing people in everything we do; Being Green and Clean, Unleashing the potential of technology for good; Making change happen together.

For many years, we have been recognized for the results we achieve in the area of sustainability. For example, in 2013, Nokia was ranked second within the Communications Equipment industry in the Dow Jones Sustainability Indexes and ninth in Interbrand s Best Global Green Brands survey.

Human rights. We have specific human rights responsibilities toward our employees, customers, the communities where we work, and within our supply chain. We apply the UN Human Rights special representative John Ruggie s business and human rights framework to our business practices. Since 2011 our Nokia Human Rights Approach has been based on the framework Protect, Respect and Remedy.

Nokia Code of Conduct. The Nokia Code of Conduct sets our approach to ethical and sustainable business practices and is based on the highest ethical standards. It outlines our commitment to respect and promote human rights and fair workplace practices, equal opportunities, environmentally sustainable business and our zero-tolerance policy on bribery and corruption, and all Nokia employees must understand and comply with it. We have held Code of Conduct training for all employees using e-learning (in 14 languages) as well as classroom training. By the end of 2013, 94% of eligible non-manufacturing

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employees and 93% of eligible employees in our manufacturing facilities had completed the training. During 2013 the Ethics and Compliance Office developed a comprehensive training program designed to support a culture of compliance based on the highest standards of ethical behavior and to safeguard Nokia against global compliance risks. New or refreshed modules were introduced including one on General Privacy for all Nokia employees and other modules for specific groups of employees covering the areas of Competition Law, Anticorruption and Trade Compliance. We also established a new Nokia business ethics helpline designed for reporting on concerns involving financial affairs, auditing or accounting practices, corruption, fraud or other serious misconduct. The helpline is available globally and provides a dedicated telephone line in nearly every country where Nokia has a presence, and an encrypted Internet site available to employees and others.

Nokia values. Nokia s values have been articulated by our employees around the world. They act as a foundation for our evolving business culture, and form the basis for how we operate as a company. Together we have defined four core values that guide us in our everyday work. These values are: *Make it great for the customer, Challenge and innovate, Achieve together*, and *Act with empathy and integrity*.

Diversity and inclusion. Nokia is committed to promoting diversity and inclusion in the workplace and providing rewarding career development opportunities for all employees. We strive to create an inclusive workplace that welcomes men and women of different cultural or ethnic backgrounds, skills and abilities, lifestyles, generations and perspectives.

Training and development. We provide a variety of training opportunities for our employees to help them develop a broad range of skills for the workplace, as well as competencies specific to their roles. In 2013, we invested almost EUR 15 million in training and development.

Performance and rewarding employees. We offer a variety of recognition plans with levels of compensation determined by local labor markets and taking into account both individual contribution and company performance. The Nokia Equity Program 2013 included: New Employee Share Purchase Plan for Nokia employees in selected jurisdictions, Performance Shares, Restricted Shares, and Stock Options. Approximately 38 500 employees in 27 countries were offered the possibility to participate in the Employee Share Purchase Plan for the plan cycle in 2013 and 9 177 of them enrolled. Additionally, a total of 3 500 employees participated in the Nokia Performance Share Plan, Restricted Share Plan and Stock Option Plan. There are also other plans, including cash incentive plans for all employees, as well as small monetary bonuses as recognition awards, and we encourage managers to coach employees continually and to have at least one formal performance review every year. For information about our equity programs, see Item 6 of this annual report.

Customer privacy. As the Internet has expanded and new services for consumers have emerged, user privacy has become increasingly important. Consumers have increasing possibilities to use and share their personal information in new contexts. To remain a trusted brand, we work to ensure that this custodial information is protected from any threats. Respect for privacy is part of our commitment to observing high standards of integrity and ethical conduct in all our operations. In 2013, we improved the maturity of our privacy program by updating our privacy principles, policies, requirements and processes. Nokia believes in privacy by design which means that we strive to consider the privacy impacts already in the design of a product or service and not only as an afterthought.

Energy use and carbon emissions of our operations. In 2013, our facilities consumed 419 GWh of energy. This energy consumption caused 8 200 tonnes of direct and 187 100 tonnes of indirect greenhouse gas (C02e) gross emissions. Direct emissions are generated from our use of gas and oil, while our consumption of electricity and district heating/cooling generates indirect emissions. Nokia Group as a whole consumed 925 GWh of energy, out of which 332 GWh was certified renewable electricity. Purchased renewables reduced indirect CO_2 emissions by 115 000 tonnes and hence, Nokia Group net emissions were 327 300 tonnes.

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Reducing waste. In 2013, Nokia produced a total of 22 600 tons of waste, a 28% reduction from 2012.

Water usage. Water is not a significant environmental issue for our own operations, but used mainly for sanitary and catering purposes, and in gardening and facilities management, e.g. cooling towers. Production processes used relatively small amounts of water, under 1 000 liters per year in each factory. In 2013, we withdrew 1 096 mega liters of water for use in our facilities. Nokia Group as whole withdrew 1 628 mega liters of water.

Helping others decrease emissions. The role of ICT in driving a sustainable future and decreasing global greenhouse gas (GHG) emissions is quite significant. Our precise maps, combined with in-car connectivity, creates possibilities for helping people in cars plot the most optimal route to their destination, making it possible to cut down on carbon emissions.

Working together. Nokia has global partnerships in place to support our ambitions in our key corporate responsibility focus areas. Our global partners in 2013 were Oxfam, Plan International, UNESCO (United Nations Educational, Scientific and Cultural Organization), British Council and WWF (World Wide Fund for Nature), and our partnerships with IUCN (International Union for Conservation of Nature) and UNICEF (United Nations Children s Fund) ended during the year. In each of these partnerships, we have provided not only financial support, but also our technology, resources and expertise on an ongoing basis for projects in which we are working jointly together. In addition, we work together with our non-profit partners around the world when a disaster strikes. In 2013, we responded to relief efforts when an earthquake struck in China and to the relief efforts when the Typhoon Haiyan known locally as Typhoon Yolanda struck the south-easterly islands of the Philippines.

Suppliers. For over a decade, Nokia has required its first tier suppliers to adhere to strict ethical and sustainable business practices. The Nokia Supplier Requirements and the Nokia Supplier Code of Conduct provide clear guidance on the environmental, social, ethical, as well as health and safety expectations we have for our suppliers. These requirements are based on international standards such as ISO 14001, SA 8000, OHSAS 18001, ILO and UN conventions and they are enforced through contractual agreements.

Bridge program. Already in 2011, Nokia reported expecting critical challenges to its business and the way of working. As part of the transformation, Nokia outlined a range of planned changes in 2013 to streamline its IT organization and Nokia s Mobile Phones business unit announced its plans to focus its product offering with the aim of improving product competitiveness and delivering more innovation. The affected employees were offered both financial support and a comprehensive Bridge support program. Nokia engaged with employee representatives regarding the plans in accordance with country-specific legal requirements. The program, which supported individuals and local communities directly impacted by changes at Nokia, provided the following options to employees whose job is affected by the restructuring:

A new job within Nokia: We provided career counseling and help employees identify new job opportunities at Nokia.

A new job outside the company. We offer career coaching, resume writing and job search support.

Entrepreneurship: We offer funding and other support for those interested in starting a new business, which could also fuel new growth for impacted communities. We have arranged coaching in business planning and establishing startups. We give grants of up to EUR 25 000 to new entrepreneurs.

Training: We fund training that helps affected employees in finding a new job quickly. In Finland, we have planned and implemented training programs jointly with local employment offices. The Finnish government offers significant funding for training programs, which is normal practice in Finland.

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Employees losing their jobs at Nokia have typically been entitled to severance packages more generous than local minimum practice.

By the end of 2013, the Bridge program, established in 2011, had served approximately 18 000 people, including factory workers. As a result, more than 1 000 new businesses have been established and approximately 60% of the employees participating in the program had found a new position within Nokia, outside of Nokia or in the newly-established businesses or are now pursuing full-time education, measured on their last day in Nokia.

Corporate responsibility Networks

Networks aims to minimize the adverse impacts of its business while also maximizing the positive social and environmental impacts its products can have.

Networks has an impact on people including employees, suppliers and communities. The company s five values guide the actions and behavior of employees and define the company culture. The values are: focus on the customer; communicate openly; win together; inspire; and innovate.

Global workforce. The restructuring efforts announced in November 2011 have progressed well towards the set goals with the aim of creating an efficient and more competitive Networks business. The change continued during 2013 with speed and momentum, and started moving from a phase where the focus has been primarily on restructuring to one where that primary focus shifted more to transformation and continuous improvement efforts. In 2013, the original target of reducing our annualized operating expenses and production overhead, excluding special items and purchase price accounting related items, was raised to more than EUR 1.5 billion. This revised target was achieved by the end of 2013. We have followed country-specific legal requirements to find socially responsible means of reducing its workforce and treated those affected with dignity and respect. Wherever possible, we transferred employees to new roles inside the company to support businesses that are core to its strategy. Additionally, we have often worked with local communities to speed up the process for re-employment with other companies.

On December 31, 2013, Networks had almost approximately 48 500 employees, of which approximately 2 500 worked in production. During the year, the rate of voluntary attrition was 7.5%, involuntary attrition was 18.2% and attrition due to common agreement was 7.1%.

Diversity and inclusion. At the end of 2013, 13% of senior management positions (approximately 350 employees) within Networks were held by women, an increase of 0.5 percentage points from 2012. Employees of non-Finnish or non-German nationality held 57% of senior management positions. For example, NSN has a very diverse Executive Board including members from Australia, Canada/Lebanon, France, Germany, India, Iran, Italy, Sweden and United States.

Training and development. During 2013, Networks spent EUR 41.5 million on training for employees through its training organization.

Health, safety and labor conditions. Providing safe and decent working conditions for employees is a priority for Nokia and its Networks business. The company s Code of Conduct and Global Labor Standard set out clear requirements for labor conditions, based on the International Labor Organisation (ILO) conventions. Networks is implementing the global standard at country level, focusing on the highest risk countries for labor violations. Internal audits are used to confirm compliance.

Networks health and safety management system, based on the international standard OHSAS 18001, safeguards employees with appropriate safety procedures, equipment and training. In 2013, Networks was awarded a global ISO OHSAS 18001 certificate, excluding China, which will be amended during

2014. Also, contractors must comply with our health and safety standards and Networks trains contractors to ensure they understand the procedures. Regular internal and external audits are used to check compliance. In 2013, Networks regrettably recorded two fatal incidents both resulting in contractor fatality. Overall, however, fatalities were reduced by 83% in 2013.

Networks Code of Conduct. The Code of Conduct sets out Networks commitment to uphold high ethical standards wherever it operates. Networks trains its employees on ethical business conduct every year and concerns can be reported anonymously through established whistleblower channels. Reported ethical concerns are investigated thoroughly by the company s Ethics and Compliance Office. In 2013, 96% of employees completed ethical business conduct training and 96% of employees received further training on anti-corruption.

Community. Networks has policies in place relating to disaster relief and to employee volunteering. During 2013, its efforts were focused on local activities on helping to recover telecommunications functionality in disaster areas.

Human rights. Networks recognizes its responsibility to help ensure that the communications technologies it provides are used to respect, and not infringe on, human rights. Networks Code of Conduct spells out zero tolerance for the violation of human rights. This commitment is reinforced in Networks human rights policy, which establishes due diligence processes to identify and address relevant human rights risks across the company s global operations. Employees are trained on human rights through ethical business training and those in high-risk roles such as procurement are given additional training on the company s human rights policy.

Suppliers. Networks Global supplier requirements, which set standards in ethical, environment and social issues, form a part of contractual agreements with suppliers and must be met by every NSN supplier. In 2013, we continued to tighten these requirements by putting in place Consequence Management for suppliers who do not meet our Health and Safety requirements. Failing to demonstrate robust safety management can trigger the termination of contract and phase out of the supplier. Compliance to supplier requirements was monitored through 27 system audits.

More detailed audits are undertaken with some suppliers selected through a risk assessment process. During 2013, we closed 3 audits and conducted 10 new audits. Additionally, 52 suppliers were assessed through the EcoVadis platform.

Networks requires suppliers who manufacture components containing materials associated with conflict minerals to adopt a zero tolerance policy on use of conflict minerals with their respective suppliers. We further clarified our scope of suppliers under the Conflict Free Sourcing Program, and as a result, we have made enquiries with 282 key suppliers with respect to their mineral sourcing processes and we are ready for the first time progress reporting as required in 2014.

Environmental strategy. Networks environmental strategy has two key elements:

- Designing products and services that help telecoms operators reduce the environmental impact of their networks;
- Ensuring maximized efficiency in the company s own operations to minimize its environmental impact.

Networks offers a comprehensive range of energy solutions for telecoms operators, combining products and services. The portfolio is designed to reduce the network operating costs of new and legacy telecommunications networks, using more efficient technology and renewable energy to reduce power consumption and the resultant GHG (greenhouse gas) emissions.

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To achieve improved environmental performance, Networks operates a company-wide Environmental Management System (EMS), certified to the internationally recognized standard ISO 14001. Networks also requires its suppliers to have a documented Environmental Management System compliant with ISO 14001 in place. In 2013, Networks was recertified with ISO14001.

Reducing the company s environmental impact. Networks continued to reduce the environmental impact of products and operations. Also, the company managed to reduce the energy consumption of buildings in 2013 by 9%. This exceeds the initial 5% target set for 2013. Renewable energy continues to form a substantial part of the energy used in Networks own facilities in 2013, Networks was able to grow the amount of renewable energy used in our operations, and today 44.5% of the used overall energy at Networks is from certified renewable sources.

In 2013, Networks continued with the logistics improvements, including the efforts to reduce airfreight and shift to ground/sea freight and had significant success. Efforts in 2013 for lowering energy consumption and emissions resulted in 19% reduction of total CO2 emissions from Networks operations including facilities, air freight and air travel.

Radio waves and health. Wireless communications technologies operate well within the limits recommended by the International Commission on Non-Ionizing Radiation Protection and endorsed by the WHO, and the company works to ensure continued compliance of its products with these requirements. Networks engages with its stakeholders and in public discussions on this topic, as well as monitoring scientific studies.

Corporate responsibility Discontinued operations

This section gives a brief overview of some of the sustainability activities of the operations we divested to Microsoft in April, 2014 due to the closing of the Sale of the D&S Business.

Unleashing the full potential of mobile technology for good. By extending the power of mobile technology, our Devices & Services business helped address global sustainability challenges such as education, livelihoods, and accessibility. For example, our Nokia Data Gathering software that replaces traditional data collection methods with mobile devices, improving results and saving time and money has made data collection more efficient in around 70 countries and by over 300 registered organizations for fields such as birth registration, agricultural production monitoring, water surveys, the fight against dengue fever and more.

Additionally, Nokia has supported the use of mobile communications to deliver education to people. Our mobile learning solutions included Nokia Mobile Mathematics, a mobile service that combines official mathematics curricula with social networking; Nokia Education Delivery, software which enables delivery of quality education materials over mobile networks to the classroom, particularly useful in hard-to-reach areas.

Accessibility. In the area of accessibility, we worked to bring mobile communications to the people worldwide who have a recognized disability, whether in vision, hearing, speech, mobility or cognition. For example, in 2013, we made our Lumia devices usable for the blind and people with severe sight impairment by launching the Mobile Accessibility screen reader for Windows Phone. For the hard-of-hearing, we gathered the largest hearing-aid manufacturers together to create a new, open, Bluetooth-based standard for a direct connectivity between phone and the hearing aid. Additionally, in partnership with the Royal National Institute of Blind People (RNIB), we invited developers to create new apps that will make the lives of people with low vision easier; or update their existing apps to make them more accessible in general.

Health, safety and well-being. The health, safety and well-being of our employees are vital to the success of our business. Our global OHS Injury and Illness Reporting includes all factory internal Nokia

employees, external contractors and service providers as well. In 2013, our Total Incident Frequency Rate for all of our major manufacturing facilities was 0.11. In other words, for every 100 employees, contractors and service providers, there were 0.11 incidents of occupational injury or illness. Since 2011, our global Occupational Health and Safety Injury and Illness Reporting has included all cases that require some type of medical treatment, not just those that result in absence from work.

Labor Conditions at manufacturing facilities. We used Nokia Labor Conditions Requirements as a framework to monitor labor conditions in a consistent manner. Compliance with local law is naturally the foundation for all our activities but, on top of this, we also aim to comply with global practices that often go above and beyond scope of the local legislation.

We carried out in-depth assessments at our major mobile device production facilities every second year to monitor labor conditions and verify compliance. These assessments were always conducted by a professional external assessment company. The last assessment round took place in 2012 and the outcome indicated that labor, health and safety were properly managed at all seven factories.

In 2013, our internal assessors carried out internal assessments at our factories in Hanoi, Chennai and Dongguan. We also followed up on non-conformity found during the third party assessments.

Product safety. Product safety has been a top priority for Nokia. All the mobile products we made operate below relevant international exposure guidelines and limits that are set by public health authorities. Since 1995, expert panels and government agencies around the world have performed more than 110 reviews of the scientific evidence regarding health effects from exposure to radio frequencies (RF). These reviews consistently support the scientific conclusion that RF fields operated at levels below the exposure guidelines pose no adverse effects to humans. We are responsive to our customers questions about mobile device safety and are committed to making information available transparently for consumers.

Environmentally-leading mobile product range. In 2013, we introduced our very first phone using recycled plastics in the product cover, the Nokia Lumia 1520. The phone continued our range of eco hero devices, such as the Nokia Lumia 820 and Nokia Asha 311, which showcase the widest range of environmental features and innovations in our product range.

Energy-savings in our mobile products. Since 2004, we have reduced the no-load power consumption of our chargers by over 83% and in our best-in-class chargers by over 90%. During 2013, we have introduced one new energy efficient charger: AC-60, for our high end phones. Since 2012, all new Nokia devices have been shipped with a four star or five star chargers. The target for the average no-load was to reduce it with 75% to 0.07W from the 2006 value of 0.278W. We reached 0.061W which is a reduction of 37% from year 2012. The charger no-load power consumption values are calculated as volume weighted average charger no-load power consumption for phone products per year.

Substance and materials management in our mobile products. Our main objective has been to know all the substances in our products, not just those that raise concerns. Our products must be safe for people and the environment when used in the proper way. All our mobile devices and accessories worldwide are fully compliant with the EU Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (EU RoHS), and all national requirements similar to RoHS. Since 2009, all our new products must be free of BFR (brominated flame retardants) and RFR (restricted flame retardants), as defined in the Nokia Substance List (NSL). The full NSL, with information about our substance management, including legal requirements and our voluntary phase-outs, is available on our website.

Packaging. During 2013, we continued to find more sustainable materials both in fiber packages and in plastics materials. We increased the use of recycled fibers in our packaging and at the end of 2013,

78% of our packaging materials needed in retail and transport were made of recycled fibers, of which a large proportion are also certified. The increased use of recycled fibers and related material choices decreased the need for virgin fibers. The share of certified virgin materials used in our packaging was 9% and not certified virgin materials 13%. We also only used plastics in those packages where transparency was needed to show the products to customers, which were usually accessory packages.

Take-back and recycling. 100% of the materials in a Nokia mobile device can be recovered and used to make new products or generate energy. Our challenge has been to create a recycling culture where the recycling of mobile products is easy and desirable. We focus on raising consumer awareness, ensuring that old products are treated responsibly as recyclable materials and getting the recycling process right by working with recyclers. Our own take-back and recycling efforts have been intended to ensure not only legal compliance, but also go above and beyond legally set requirements.

Environmental management systems (EMS). Our EMS is an integral part of our common global management structure. The international ISO14001 standard has been the foundation for our certified EMS for more than 15 years and it covers all of our manufacturing facilities. Its goal is to improve our environmental performance, focusing on energy consumption, waste management, water management and air emissions. We require a certified EMS according to ISO 14001 from our contract manufacturers, and a certified EMS from all our direct suppliers.

Suppliers. To monitor supplier compliance and performance against the Nokia Supplier code of Conduct, Nokia used a wide range of approaches and means. At the end of 2013, 371 supplier facilities had been risk self-assessed relation to labor, ethics, health and safety and environmental practices at the factories. Self-assessments have provided us with an indication of the supplier s own understanding of their compliance level before conducting selected on-site assessments. This accounts for around 90% of our hardware and mechanics estimated business value for 2013. Estimated Business value is based on the estimated volume of the year.

In 2013, 42 Nokia Supplier Requirements on-site assessments and 13 Environmental and Ethical on-site in-depth assessments were carried out to ensure that suppliers provide a safe work environment, exercise good labor practices, use environmentally sustainable manufacturing processes, and aim to reduce the environmental impact of their own operations. In addition to assessments, we pay attention to these processes and practices in supplier selection and contracting, relationship development, procurement decisions and steering meetings. Nokia has also taken continuous actions to ensure that our products are manufactured from ethically sourced materials. We do not tolerate activity in our supply chain that fuels conflict, violates human rights or leads to serious environmental degradation. The issue is currently especially acute with the extraction and trade of minerals in Democratic Republic of Congo (DRC) and surrounding countries. During 2013, we continued to evaluate our suppliers due diligence activities towards conflict-free sourcing and to contribute to activities that support responsible sourcing from high-risk regions.

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4C. ORGANIZATIONAL STRUCTURE

The following is a list of Nokia s significant subsidiaries at December 31, 2013. See also, Item 4A. History and Development of the Company Organizational Structure and Reportable Segments .

Continuing Nokia Group Companies	Country of Incorporation	Nokia Ownership Interest	Nokia Voting Interest
Nokia Solutions and Networks B.V	The Netherlands	100%[(1)]	100%[(1)]
Nokia Solutions and Networks Oy	Finland	100%	100%
Nokia Solutions and Networks US LLC	United States	100%	100%
Nokia Solutions and Networks Japan Corp	Japan	100%	100%
Nokia Solutions and Networks India Private Limited	India	100%	100%
Nokia Solutions and Networks System Technology (Beijing) Co., Ltd	China	100%	100%
Nokia Solutions and Networks Branch Operations Oy	Finland	100%	100%
Nokia Solutions and Networks Korea Ltd.	South Korea	100%	100%
Nokia Solutions and Networks do Brasil Telecomunicações Ltda	Brazil	100%	100%
Nokia Solutions and Networks Technology Service Co., Ltd	China		
HERE Holding Corporation	United States	100%	100%
HERE Global B.V.	The Netherlands	100%	100%
HERE Europe B.V	The Netherlands	100%	100%
HERE North America LLC	United States	100%	100%
HERE Deutschland GmbH	Germany	100%	100%
Nokia Finance International B.V	The Netherlands	100%	100%

Discontinued Nokia Group Companies	Country of Incorporation	Nokia Ownership Interest	Nokia Voting Interest
Nokia Sales International Oy	Finland	100%	100%
Nokia India Sales Pvt. Limited	India	100%	100%
Nokia India Pvt. Ltd	India	100%	100%
OOO Nokia	Russia	100%	100%
Nokia (China) Investment Co., Ltd	China	100%	100%
Nokia Telecommunications Ltd	China	83.9%	83.9%
Nokia Inc	United States	100%	100%
Nokia UK Limited	United Kingdom	100%	100%
Nokia do Brasil Technologia Ltda	Brazil	100%	100%
Nokia TMC Limited	South Korea	100%	100%
Nokia (Thailand) Ltd	Thailand	100%	100%

(1) In 2013, Nokia acquired the remaining 50% of Nokia Siemens Networks B.V., the ultimate parent of the NSN business, now operating as Networks. By that, the parent entity of the NSN business became a fully owned subsidiary of Nokia.

Upon the closing of the Sale of the D&S Business to Microsoft on April 25, 2014, Nokia s companies listed under Discontinued Nokia Group Companies transferred to Microsoft with the exception of Nokia India Pvt. Ltd. and Nokia TMC Limited.

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4D. Property, Plants and Equipment

At December 31, 2013, Nokia operated seven manufacturing facilities in six countries for the production of Nokia-branded mobile devices, and Networks had seven manufacturing facilities in four countries. We consider the production capacity of our manufacturing facilities to be sufficient to meet the requirements of our networks infrastructure business. 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, with the exception of the mobile devices related facility in Chennai as tax authorities in India have placed a lien on this facility prohibiting Nokia to transfer this facility.

The following is a list of the location, use and capacity of major manufacturing facilities for Nokia mobile devices and NSN infrastructure equipment on December 31, 2013.

Country	Location and Products	Productive Capacity, Net (m^2)(1)
BRAZIL	Manaus: mobile devices	9 026
CHINA	Beijing: mobile devices	29 272
	Dongguan: mobile devices	25 644
	Beijing: switching systems and radio controllers	6 749
	Shanghai: base stations, transmission systems	15 954
	Suzhou: base stations	8 940
	Tianjin: Wireless base stations, mobile core systems, radio controllers	10 000
FINLAND	Oulu: base stations	16 000
HUNGARY	Komárom: mobile devices	12 150
INDIA	Chennai: mobile devices	35 323
	Chennai: base stations, radio controllers and transmission systems	8 364
MEXICO	Reynosa: mobile devices	8 889
REPUBLIC OF KOREA	Masan: mobile devices	3 743
RUSSIA	Tomsk: base stations	1 494

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

Upon the closing of the Sale of the D&S Business to Microsoft, Nokia s manufacturing sites located in Manaus, Beijing, Dongguan, Komárom, and Reynosa transferred to Microsoft. Contrary to the original scope of the Sale of the D&S Business, Nokia s manufacturing facilities in Chennai in India and Masan in the Republic of Korea did not transfer to Microsoft at the closing of the transaction. With regard to the Chennai facility, Nokia and Microsoft have entered into a service agreement whereby Nokia will produce mobile devices for Microsoft. With regard to the Masan facility, Nokia is taking steps to close the facility, which employs approximately 200 people.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5A. 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 an analysis of our results of operations for the last three fiscal years.

Nokia announced two significant transactions during 2013. On July 1, 2013, Nokia announced an agreement to acquire Siemens 50% stake in the companies joint venture Nokia Siemens Networks. The purchase price for Siemens stake was EUR 1.7 billion and the transaction closed on August 7, 2013. Additionally, on September 3, 2013, Nokia announced that it had signed an agreement to enter into a transaction whereby Nokia sold substantially all of its Devices & Services business and license its patents to Microsoft for EUR 5.44 billion in cash, payable at closing, which took place on April 25, 2014. More details on the transactions can be found in Item 4A. History and Development of the Company Organizational Structure and Reportable Segments .

Organizational Structure and Reportable Segments

We have three businesses: Networks, HERE, and Technologies, and four operating and reportable segments for financial reporting purposes: Mobile Broadband and Global Services within Networks, HERE, and Technologies. Below is a description of our four reportable segments.

Mobile Broadband provides mobile operators with radio and core network software together with the hardware needed to deliver mobile voice and data services.

Global Services provides mobile operators with a broad range of services, including network implementation, care, managed services, network planning and optimization, as well as systems integration.

HERE focuses on the development of location intelligence, location-based services and local commerce.

Technologies is built on Nokia s Chief Technology Office and intellectual property rights and licensing activities.

Networks also contains Networks Other, which includes net sales and related cost of sales and operating expenses of non-core businesses, as well as Optical Networks business until May 6, 2013, when its divestment was completed. It also includes restructuring and associated charges for Networks business. Additionally, as a result of the Sale of the D&S Business, we report certain separate information for Discontinued Operations.

On August 7, 2013, Nokia completed the acquisition of Siemens stake in Nokia Siemens Networks, which was a joint venture between Nokia and Siemens and renamed the company Nokia Solutions and Networks, also referred to as NSN. After the closing of the Sale of the D&S Business, NSN was renamed Networks. Networks was consolidated by Nokia prior to this transaction. Beginning in the third quarter of 2013, Nokia has reported financial information for the two operating and reportable segments within Networks; Mobile Broadband and Global Services. Beginning in the fourth quarter of 2013, the Devices & Services business has been reported as Discontinued Operations. To reflect these changes, historical results information for past periods has been regrouped for historical comparative purposes. As is customary, certain judgments have been made when regrouping historical results information and allocating items in the regrouped results. When presenting financial information as at December 31, 2013 and related comparative information for previous periods, we generally refer to the names of the businesses and reportable segments as they were named at December 31, 2013. However, the terms Networks and Nokia Solutions and Networks, or NSN and the terms Technologies and Advanced Technologies may be used interchangeably in this annual report.

For more information on our organizational structure, see Item 4A. History and Development of the Company Organizational Structure and Reportable Segments . 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. The following discussion should be read in conjunction with our consolidated financial statements included in Item 18 of this annual report, Item 3D, Risk Factors and Forward-Looking Statements . Our financial statements have been prepared in accordance with IFRS.

Principal Factors & Trends Affecting our Results of Operations

Continuing Operations

Networks

Networks, our network infrastructure and related services business, is a leading vendor in the mobile infrastructure market comprising a broad range of different products, from the hardware components of networks used by network operators to software solutions supporting the efficient interaction of networks, as well as services to plan, implement, run and upgrade mobile operators networks. We are investing in the innovative products and services needed by telecoms operators to manage the increase in wireless data traffic. We plan to focus future investment on further building on our strong position in mobile broadband and related services, and strengthening our leadership position in next-generation network technologies that will be important enablers for the future networks connecting tens of billions of devices. For more information on the Networks business see Item 4B.

Industry Trends

In recent years, the most important trends affecting Networks have been the increase in the use of mobile data services and the resulting exponential increase in data traffic, which however has not been directly reflected in operators revenue. With end users replacing operator services, such as voice telephony and SMS with over-the-top applications, such as Skype and WhatsApp, operators revenue growth is slowing down. As a result, there is an increased need for efficiency for both operators and network infrastructure, as well as services vendors that may lead to industry consolidation to achieve scale. Other developments related to the need for greater efficiency are the mixed radio technology environment, increased network sharing, re-use of already scarce radio frequency spectrums, and an increased need for network flexibility, as well as the use of cognitive network technologies. In addition to the attempts to reduce their costs, the operators want to increase their agility through the adoption of the emerging telco cloud and network virtualization which is enabled by the convergence of IT and telecommunications. For more information, please see Item 4B.

Pricing and Price Erosion

The pricing environment remained intense in 2013. In particular, a wave of network modernization that has taken place, primarily in Europe, and increasingly also in other regions, including Asia Pacific, has continued to put pressure on pricing as the vendors compete for market share.

Networks net sales are impacted by these pricing developments. Although some regional variation exists, price erosion is evident across most geographical markets and impacts Networks sales and profitability.

Product and regional mix

Networks profitability is also impacted by the product mix, software sales and regional mix.

Products and services have varying profitability profiles. The Mobile Broadband business offers a combination of hardware and software. These products, in particular software products, have higher gross margins; however, they require much higher research and development investments. Global Services offerings are typically labor-intensive while carrying low research and development

investment, and have relatively low gross margins compared to the hardware and software products of Mobile Broadband.

Regional sales also carry varying profitability. Overall profitability for certain regions should only be seen as indicative, since profitability can vary from country to country, within a particular region, and even from customer to customer within a particular country. In general, developed markets provide relatively high margins while emerging markets, where end-users, and therefore mobile operators, are often more financially constrained, provide lower margins.

Cyclical nature of projects

In addition to the normal industry seasonality described in the section Certain other factors below, there are normal peaks and troughs in the roll-out of large infrastructure projects. The timing of roll-outs is dependent on factors that affect our customers, such as new spectrum allocation, network upgrade cycles and the availability of new consumer devices. Networks net sales are affected by the cycle stages of these large projects, and the extent to which they overlap. Overall, profitability can be affected by the sales impact as well as the requirement to source large volumes of components at short notice, which can impact the cost of sales.

Continued efficiency improvements

Efficiency improvements are expected to continue in 2014 as Networks continues to realize some of the benefits from the restructuring program announced in 2011. Networks also plans further efficiency gains from increased automation in Global Service delivery and other areas, as well as continued improvements in R&D efficiency and agility.

Cost of components and raw materials

There are several factors that drive Networks profitability. Scale, operational efficiency and cost control have been, and will continue to be, important factors affecting profitability and competitiveness. 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.

Targets and Priorities

Networks is putting increased focus on revenue growth and market share gains while it aims to maintain strong profitability and cash generation. (For more information, please see Item 4B, Strategy section.)

Longer-term, Nokia continues to target Networks operating margin to be between 5% and 10%, excluding special items and purchase price accounting related items.

Nokia expects Networks operating margin for the full year 2014 to be towards the higher end of Networks targeted long term operating margin range of 5% to 10%, excluding special items and purchase price accounting related items. In addition, Nokia expects Networks net sales to grow on a year-on-year basis in the second half of 2014. This outlook is based on Nokia s expectations regarding a number of factors, including:

- competitive industry dynamics;
- product and regional mix;
- the timing of major new network deployments; and
- expected continued improvement under Networks transformation programs.

HERE

Our HERE business is a leading provider of maps and location experiences across multiple screens and operating systems. We are focused on producing the most accurate and fresh map content, available through multiple devices and operating systems. We are investing to further develop our leading location cloud to make it the source of location intelligence and experiences across many different operating systems, platforms and screens. Given that location is an essential element of a connected world, we are targeting our investment in three areas: 1) technology for smart, connected cars; 2) cloud-based services for personal mobility and location intelligence, including for the growing segment of wearables and special purpose devices; and 3) location-based analytics for better business decisions. For more information on the HERE business, see Item 4B.

Vertical and Horizontal opportunities in Map Content, Platform and Applications

HERE is a leading provider of map content and is focused on providing the richest, most accurate and most current maps possible, since these attributes are becoming more important for consumers and providers of location services. HERE s ability to offer independent solutions at various levels of the value chain offers both vertical and horizontal opportunities. We see opportunities in being able to offer solutions across ecosystems and different layers within them, as well as with different types of devices.

HERE s map data provides a strong foundation, and HERE s cloud-based map platform enables us to compete at multiple levels of the location services value chain including partnering with automobile vendors and internet services companies for their own differentiated offerings.

The HERE map platform enables our location intelligence and experiences to be distributed in the cloud and to be used across many different operating systems, platforms and screens. This enables users of the platform to license certain parts of our offering, including content, location services and functionalities, such as routing and positioning. Access to the platform allows users to build specific applications for location-related services and products, such as wearables and special purpose devices.

Automotive and Other Industries

We see, and are investing in, certain transformational growth opportunities within the automotive and other industries that require location-based intelligence. An area of interest is the automotive industry, where our focus goes beyond the traditional turn-by-turn navigation, and towards concepts such as smart, connected cars, autonomous driving and augmented reality. As these are new areas, our success in terms of transforming development efforts into sales is dependent on these concepts developing commercially and on our ability to produce products that are appealing to the industry.

In general, we believe there is a trend of more and more devices being connected, forming an Internet of Things. We believe there may be opportunities for location-based intelligence to serve as a key dimension in this development, and we believe that HERE is well-positioned to capture those potential growth opportunities with its broad offering.

As the automotive industry is a significant contributor to HERE s sales, the broader economy and its influence on new car sales are an important factor in HERE s future success. The adoption rate of in-car navigation products and services is important too. In general, adoption of these types of products has been increasing.

Targets and Priorities

In 2014, Nokia expects HERE to invest to capture longer term transformational growth opportunities. This is expected to negatively affect HERE s 2014 operating margin, excluding special items and purchase price accounting related items.

Technologies

Our Technologies business builds on several of Nokia s Chief Technology Office (CTO) and Intellectual Property Rights (IPR) activities, including patent, technology, trademark and brand assets. Technologies explores new business opportunities through advanced research and development and concept products in areas such as connectivity, sensing and material technologies, as well as web and cloud technologies. We are investing in the further development of our industry-leading innovation portfolio. This includes 1) expanding our successful IP licensing program; 2) helping other companies and organizations benefit from our breakthrough innovations through technology licensing; and 3) exploring new technologies for use in potential future products and services. For more information on the Technologies business, see Item 4B.

Divestment of substantially all of our Devices & Services business

Since the early 1990s, we have invested more than EUR 50 billion in research and development and built one of the market s strongest and broadest IPR portfolios, with approximately 10 000 patent families. In addition, Networks has a separate portfolio of approximately 4 000 patent families. As Nokia is no longer a handset manufacturer, due to the Sale of D&S Business to Microsoft, the need to obtain licenses from other companies will be significantly reduced. As the length of license agreements is generally several years, the eventual renegotiations of our existing contracts, once they expire, are expected to have a positive impact on our future results. While the majority of our current revenues are derived from licenses related to Standard Essential Patents, these only represent approximately 15% of our overall portfolio. The vast majority of Nokia s patents cover proprietary technologies, which have been crucial for driving differentiation of our handsets. As this exclusivity is no longer needed, we see further opportunities in the licensing of such patented technologies more broadly. As an example, the technology licensing could include connectivity, sensing, materials and energy and power management technologies.

Monetization Strategies of Intellectual Property Rights

Success in the technology industry requires significant research and development investments, with intellectual property rights to protect those investments and related inventions. In recent years, we have seen new entrants in the mobile device industry, many of which do not have licenses to our IPR. In 2013, we continued to see active licensing and enforcement strategies of IPR emerge through a series of legal disputes between several industry participants, as patent holders sought to protect their IPR against unauthorized infringements by other device OEMs. We believe we are well-positioned to protect our existing industry-leading IPR portfolio, and consequently increase value to our shareholders.

General Trends in IPR Licensing

In general, there has been increased focus on IPR protection and licensing, and this trend is expected to continue. As such, new agreements are generally a product of lengthy negotiations and potential litigation, and therefore the timing and outcome can be difficult to forecast. Due to the structure of the patent license agreements, the payments may be very infrequent, often retrospective in part, and the lengths of license agreements can vary.

Technology Licensing

As a result of the Sale of the D&S Business, we have an opportunity to develop a technology licensing business, in order to realize returns on our investments in certain technologies that have previously been crucial to the differentiation of our devices, as well as other relevant future technologies. This may increase the scope of potential sales opportunities in the longer term, as some of the technologies may be of interest to other market participants.

Research, Development and Patent Portfolio Development

As the creation of new technology assets, including IPR, is heavily focused on research and development activities, we may from time to time see investment opportunities that have strategic importance. This generally affects the operating expenses before the results of such investments are visible in the sales.

Targets and Priorities

Nokia expects Technologies annualized net sales run rate to expand to approximately EUR 600 million during 2014, now that Microsoft has become a more significant intellectual property licensee in conjunction with the Sale of the D&S Business.

Certain Other Factors

Exchange Rates

Our business and results of operations are, from time to time, affected by changes in exchange rates, particularly between the euro, our reporting currency, and other currencies such as the US dollar and the Japanese yen. See Item 3A. 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.

The magnitude of foreign exchange exposures changes over time as a function of our presence in different markets and the prevalent currencies used for transactions in those markets. The majority of our non-euro based sales are denominated in the US dollar, but our strong presence in emerging markets like China and India also gives rise to foreign exchange exposure in several emerging market currencies. The majority of our non-euro based purchases are denominated in US dollars. In general, depreciation of another currency 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.

In addition to foreign exchange risk of our own sales and costs, our overall risk depends on the competitive environment in our industry and the foreign exchange exposures of our competitors.

To mitigate the impact of changes in exchange rates on our results, we hedge material transaction exposures, unless hedging would be uneconomical due to market liquidity and/or hedging cost. We hedge significant forecasted cash flows typically with an approximately 12-month hedging horizon. For the majority of these hedges, hedge accounting is applied to reduce income statement volatility. We also hedge significant balance sheet exposures. 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). To mitigate the impact to shareholders equity, we hedge selected net investment exposures from time to time.

In 2013, the overall volatility of the global currency markets has remained broadly around the same level as in 2012. Out of our significant non-euro transaction currencies, however, the Japanese yen depreciated significantly during 2013 compared to the rate at the end of 2012. Overall, hedging costs remained relatively low in 2013 due to the low interest rate environment globally.

During 2013, the US dollar depreciated against the euro by 7.1%. The weaker US dollar in 2013 had a negative impact on our net sales expressed in euro, as approximately 30% of our net sales are generated in US dollars and currencies closely following the US dollar. The depreciation of the US dollar

also contributed to lower cost of sales and operating expenses, as approximately 30% of our cost base was in US dollars and currencies closely following the US dollar. In total, before hedging, the movement of the US dollar against the euro had a negative effect on our operating profit in 2013.

In 2013, the Japanese yen depreciated by 26.8% against the euro. During that year, approximately 10% of our net sales were generated in Japanese yen. The depreciation of the Japanese yen also contributed to lower cost of sales and operating expenses, as approximately 10% of our cost base was in Japanese yen. In total, before hedging, the depreciation of the Japanese yen had a negative impact on our operating profit in 2013.

The majority of the impact of the US dollar and Japanese yen depreciation against the euro on our operating result was, however, mitigated through hedging.

Significant changes in exchange rates may also impact our competitive position and related price pressures through their impact on our competitors.

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 annual report. See also Item 11. Quantitative and Qualitative Disclosures About Market Risk and Item 3D. Risk Factors .

Income Taxes

At December 31, 2013, Nokia s continuing operations in Finland had approximately EUR 2.3 billion (calculated at the Finnish corporate tax rate of 20%) of net deferred tax assets that have not been recognized in the financial statements. A significant portion of Nokia s Finnish deferred tax assets are indefinite in nature and available against future Finnish taxable income. Nokia will continue to closely monitor its ability to utilize these deferred tax assets, including assessing future financial performance of Nokia s continuing operations in Finland. Should the recent improvements in Nokia s continuing operations financial results be sustained, all or part of the unrecognized deferred tax assets may be recognized in the future.

Seasonality

Our Networks sales are affected by seasonality in the network operators planning, budgeting and spending cycles, with generally higher Networks sales in the fourth quarter compared to the first quarter of the following year.

Our HERE sales to the automotive industry are affected by seasonality in the automobile market, navigation device market, and mobile device market, with generally higher HERE sales in the fourth quarter compared to the first quarter of the following year.

Technologies sales are not significantly affected by seasonality. However, the sales can be unevenly distributed across the quarters, based on the timing and frequency of certain payments from certain licensees. In addition, possible retrospective payments that may occur, for instance as a result of entering into an agreement or settlement, may cause even significant variations on quarterly sales.

Accounting Developments

The International Accounting Standards Board, or IASB, has and will continue to critically examine current IFRS, with a view towards improving existing IFRS, as well as increasing international harmonization of accounting rules. This process of improvement and convergence of worldwide accounting standards has resulted in amendments to existing rules effective during the year ended

December 31, 2013. 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. The adopted 2013 amendments to IFRS did not have a material impact on our results of operations or financial position.

Subsequent Events

On April 25, 2014 Nokia completed the sale of substantially all of its Devices & Services business to Microsoft. The transaction was subject to potential purchase price adjustments. At closing, the agreed transaction price of EUR 5.44 billion was increased by approximately EUR 170 million as a result of the estimated adjustments made for net working capital and cash earnings. However this adjustment is based on an estimate which will be finalized when the final cash earnings and net working capital numbers are expected to be available during the second quarter 2014.

Nokia expects to book a gain on sale of approximately EUR 3.0 billion from the transaction. As a result of the gain, Nokia expects to record tax expenses of approximately EUR 180 million.

Additionally, as is customary for transactions of this size, scale and complexity, Nokia and Microsoft made certain adjustments to the scope of the assets originally planned to transfer. These adjustments have no impact on the material deal terms of the transaction and Nokia will be materially compensated for any retained liabilities.

In India, our manufacturing facility remains part of Nokia following the closing of the transaction. Nokia and Microsoft have entered into a service agreement whereby Nokia would produce mobile devices for Microsoft for a limited time. In the Republic of Korea, Nokia and Microsoft agreed to exclude the Masan facility from the scope of the transaction and Nokia is taking steps to close the facility, which employs approximately 200 people. Altogether, and accounting for these adjustments, approximately 25 000 employees transferred to Microsoft at the closing.

The EUR 1.5 billion convertible bonds issued by Nokia to Microsoft following the announcement of the transaction have been redeemed and netted against the deal proceeds by the amount of principal and accrued interest.

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

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

Revenue Recognition

Revenues within the Group are generally recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. When management determines that such criteria have been met, revenue is recognized.

Networks enters into transactions that involve multiple components consisting of any combination of hardware, software and services. Within these arrangements, separate components are identified and accounted for based on the nature and fair value of those components and considering the economic substance of the entire arrangement. Revenue is allocated to each separately identifiable component based on the relative fair value of each component. The fair value of each component is determined by taking into consideration factors such as the price of the component when sold separately and the component cost plus a reasonable margin when price references are not available. This determination of the fair value and allocation thereof to each separately identifiable component of a transaction requires the use of estimates and judgment which may have a significant impact on the timing and amount of revenue recognized for the period. Service revenue, which typically includes managed services and maintenance services, is generally recognized on a straight-line basis over the specified period unless there is evidence that some other method better represents the rendering of services.

Also at Networks, certain revenue is recognized from contracts involving solutions achieved through modification of complex telecommunications equipment on a percentage of completion basis when the outcome of the contract can be estimated reliably. Recognized revenues and profit estimates are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. Current sales and profit estimates for projects may materially change due to an 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.

Within the HERE business, a substantial majority of revenue is derived from the licensing of the HERE database. Revenue which consists of license fees from usage (including license fees in excess of the nonrefundable minimum fees), are recognized in the period in which the license fees are estimable. Nonrefundable minimum annual licensing fees are generally received upfront and represent a minimum guarantee of fees to be received from the licensee during the period of the arrangement. The total up-front fee paid by the customer is generally amortized ratably over the term of the arrangement. When it is determined that the actual amount of licensing fees earned exceeds the cumulative revenue recognized under the amortization method, we recognize the additional licensing revenue. Furthermore, within the HERE business, some licensing arrangements contain multiple elements, that could include data, software, services and updates. Revenue is allocated to each element based on its relative fair value and is recognized as the element is delivered and the obligation is fulfilled.

Technologies patent license agreements are multi-year arrangements, which usually cover both a licensee s past and future sales until a certain agreed date, when the license expires. When a patent license agreement is signed, it typically includes an agreement or settlement on past royalties that the licensor is entitled to. Such income for past periods is recognized immediately. License payments relating to the future royalties are recognized over the remaining contract period, typically 5 to 10 years. Licensees often pay a fixed license fee in one or more installments and running royalties based on their sales of licensed products. Licensees generally report and pay their running royalties on a quarterly basis after the end of each quarter and Nokia revenue recognition takes place accordingly at the time the royalty reports are received.

Within the Devices & Services business in Discontinued Operations, a sale of devices can include multiple components consisting of a combination of hardware, services and software. The commercial effect of each separately identifiable element of the transaction is evaluated in order to determine the appropriate accounting treatment for each component of the transaction. The total amount received is allocated to individual components based on their estimated fair value. Fair value of each component is determined by taking into consideration factors such as the price when the component is sold separately, the price when a similar component is sold separately by a third party and cost plus a reasonable margin when pricing references are not available. The estimated fair values are allocated first to software and services and the residual amount allocated to hardware. Application of the recognition criteria described above generally results in recognition of hardware-related revenue at the time of delivery with software and services-related revenue recognized on a straight-line basis over their respective terms.

Also within the Devices & Services business in Discontinued Operations, we record estimated reductions to revenue for special pricing agreements and other volume-based discounts at the time of sale. Sales adjustments for volume based discount programs are estimated largely based on historical activity under similar programs.

Customer Financing

We have provided a limited amount of customer financing arrangements, predominantly within Networks, and agreed extended payment terms with selected customers. In establishing credit arrangements, management must assess the creditworthiness of the customer and the timing of cash flows expected to be received under the arrangement. However, should the actual financial position of our customers or general economic conditions differ from our assumptions, we may be required to reassess the ultimate collectability of such financings and trade credits, which could result in a write-off of these balances in future periods and thus negatively impact our profits in future periods. Our assessment of the net recoverable value considers the collateral and security arrangements of the receivable, as well as the likelihood and timing of estimated collections. From time to time, the Group endeavors to mitigate this risk through transfer of its rights to the cash collected from these arrangements to third-party financial institutions on a non-recourse basis in exchange for an upfront cash payment. The financial impact of the customer financing related assumptions mainly affects the Networks business.

Allowances for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. If financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyzes accounts receivables and historical bad debt, customer concentrations, customer creditworthiness, past due balances, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. Based on these estimates and assumptions, Nokia continuing operations allowance for doubtful accounts was EUR 124 million at the end of 2013.

Inventory-related Allowances

We periodically review our inventory for excess, obsolescence and declines in market value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory in future periods. Based on these estimates and assumptions, the Nokia continuing operations allowance for excess and obsolete inventory was EUR 178 million at the end of 2013. The financial impact of the assumptions regarding this allowance

affects mainly the cost of sales of the Networks business and the results from Discontinued Operations through the Devices & Services business.

Project loss provisions

The Group provides for onerous contracts based on the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract. Due to the long-term nature of customer projects, changes in estimates of costs to be incurred, and therefore project loss estimates, may become necessary as the projects are executed. Based on these estimates and assumptions, the Networks project loss provision is EUR 152 million.

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 and by material usage and service delivery costs incurred in correcting a product failure. Our warranty provision is established based upon our best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. As we continuously introduce new products which incorporate complex technology, and as local laws, regulations and practices may change, it will be increasingly difficult to anticipate our failure rates, the length of warranty periods and repair costs. While we believe that our warranty provisions are adequate and that the judgments applied are appropriate, the ultimate cost of product warranty could differ materially from our estimates. When the actual cost of quality of our products is lower than we originally anticipated, we release an appropriate proportion of the provision, and if the cost of quality is higher than anticipated, we increase the provision. Based on these estimates and assumptions, the Nokia continuing operations warranty provision was EUR 94 million at the end of 2013. The financial impact of the assumptions regarding this provision mainly affects the cost of sales of the Networks business and the results from Discontinued Operations through the Devices & Services business.

Provision for Intellectual Property Rights, or IPR, Infringements

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

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

We estimate the outcome of all potential IPR infringements made known to us through assertion by third parties, or through our own monitoring of patent- and other IPR-related cases in the relevant legal systems. To the extent that we determine that an identified potential infringement will result in a probable outflow of resources, we record a liability based on our best estimate of the expenditure required to settle infringement proceedings. Based on these estimates and assumptions, the provision for IPR infringements was EUR 15 million at the end of 2013 in Nokia continuing operations.

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 8A7. Litigation and in Note 28 and 30 to the consolidated financial statements included in Item 18 of this annual report, legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against the Group. We record provisions for pending litigation when we determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

Business Combinations

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

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

Valuation of Long-lived Assets, Intangible Assets and Goodwill

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

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

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

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Recoverable value is based upon our projections of anticipated discounted future cash flows. The most significant variables in determining cash flows are discount rates, terminal values and 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.

Goodwill is allocated to the Group s cash-generating units or groups of cash-generating units (CGUs) and recoverable value is determined for each of the CGUs for the purpose of impairment testing. The allocation of goodwill to the CGUs is made in a manner that is consistent with the level at which management monitors operations and the CGUs are expected to benefit from the synergies arising from the business combinations in which the goodwill arose. As a result of the Sale of the D&S Business, we have combined the Smart Devices and Mobile Phones CGUs into a single Devices & Services CGU and aligned with the scope of the business being sold. The goodwill previously allocated to the two separate CGUs has been allocated to the combined CGU for impairment testing purposes. No Goodwill was allocated to the new Technologies CGU, which aligns with the Group s new operating and reportable segment.

In previous years, we have defined the Networks operating segment as a single CGU. As a consequence of the acquisition of the Siemens minority stake in NSN on August 7, 2013, and the resulting change in reportable segments, the Group has identified two Networks related groups of CGUs to which goodwill has been allocated: Radio Access Networks within the Mobile Broadband operating segment and Global Services.

Goodwill amounting to EUR 4 815 million at the end of 2013 has been allocated as follows: HERE CGU (EUR 3 219 million), Networks Radio Access Networks group of CGUs within Mobile Broadband (EUR 88 million), Networks Global Services group of CGUs (EUR 91 million) and Devices & Services CGU within Discontinued Operations (EUR 1 417 million).

IAS 36 requires goodwill to be assessed annually for impairment unless triggering events are identified prior to the annual testing date that indicate a potential impairment in which case an interim assessment is required. The annual impairment testing for the HERE and Devices & Services CGUs is performed as of October 1. The annual impairment testing for the Networks related groups of CGUs has been performed as of September 30. An additional impairment analysis specific to Networks CGUs was performed subsequently at November 30, 2013, to align the annual testing date with Networks annual financial planning cycle. Management determined that the signing of the agreement with Microsoft on the Sale of the D&S Business constituted a triggering event requiring an interim impairment test for the Devices & Services and HERE CGUs. Accordingly, an interim review was performed in September 2013. No impairment charges were recorded for any of the CGUs as a result of either the interim or annual tests.

The recoverable values of the Smart Devices and Mobile Phones CGUs, that were combined to form the Devices & Services CGU and have been classified as Discontinued Operations in 2013, were previously valued using a value in use basis. During 2013, the Devices & Services CGU recoverable value was determined using a fair value less cost of disposal model based on the agreed purchase price defined in the agreement for the Sale of the D&S Business, excluding any consideration attributable to patents or patent applications.

During 2013, the recoverable amounts of the HERE CGU, Radio Access Networks and Global Services groups of CGUs have been determined using a fair value less cost of disposal model. Fair value less cost of disposal was estimated using discounted cash flow calculations. The cash flow projections employed in the discounted cash flow calculations have been determined by management

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based on the information available, to reflect the amount that an entity could obtain from separate disposal of each of the CGUs in an orderly transaction between market participants at the measurement date after deducting the estimated cost of disposal. The estimates of fair value less cost of disposal are categorized as level 3 of the fair value hierarchy.

Discounted cash flows for the Networks CGUs and HERE CGU were modeled over 10 annual periods. The growth rates used in transition to terminal year reflect estimated long-term stable growth which do not exceed long-term average growth rates for the industry and economies in which the CGUs operate. All cash flow projections are consistent with external sources of information, wherever possible.

The key assumptions applied in the impairment testing for each CGU in the annual goodwill impairment testing for each year indicated are presented in the table below. No information has been included for the Devices & Services CGU as the recoverable amount was not determined using a discounted cash flow analysis and the CGU is attributable to discontinued operations:

	Cash generating units							
	HERE		Radio Access Networks group of CGUs in Mobile Broadband*		Global Services group of CGUs*		Networks	
			%		%		%	
	2013	2012	2013	2012	2013	2012	2013	2012
Terminal growth rate	**1.7**	1.7	**1.5**		**0.5**			0.7
Post-tax discount rate	**10.6**	9.9	**10.8**		**10.1**			10.3

* Networks CGU is divided into two groups of CGUs in 2013: Radio Access Networks group of CGUs within the Mobile Broadband operating segment and the Global Services group of CGUs.

Fair value less cost of disposal for the HERE CGU and Radio Access Networks and Global Services groups of CGUs are determined using post-tax valuation assumptions including projected cash flows and the discount rate.

The discount rates applied in the impairment testing for the above noted CGUs or groups of CGUs reflect current assessments of the time value of money and relevant market risk premiums. Risk premiums included in the determination of the discount rate reflect risks and uncertainties for which the future cash flow estimates have not been adjusted.

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

In the fourth quarter of 2011, the Group recorded an impairment loss of EUR 1 090 million to reduce the carrying amount of the HERE CGU to its recoverable amount at that time. The impairment loss was allocated in its entirety to the carrying amount for goodwill. The Group s goodwill impairment testing did not result in impairment charges for the years ended December 31, 2013 and 2012.

Other than disclosed for the HERE CGU above, management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of any cash generating unit to exceed its recoverable amount.

See Note 9 to our consolidated financial statements included in Item 18 of this annual report for further information regarding Valuation of long-lived and intangible assets and goodwill .

Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market for example, unlisted equities, are determined using widely accepted valuation techniques. We use judgment to select an appropriate valuation methodology and underlying assumptions based principally on existing market conditions. If quoted market prices are not available for unlisted shares, fair value is estimated by using various factors, including, but not limited to: (1) the current market value of similar instruments, (2) prices established from a recent arm s length transactions and (3) analysis of market prospects and operating performance of target companies taking into consideration of public market comparable companies in similar industry sectors. Changes in these assumptions may cause the Group to recognize impairments or losses in future periods. During 2013, the Group received distributions of EUR 44 million (EUR 49 million in 2012) included in other financial income from a private fund held as non-current available-for-sale. Due to a reduction in estimated future cash flows, the Group also recognized an impairment loss of EUR 7 million in 2012 for the fund included in other financial expenses. See also note 12 to our consolidated financial statements included in item 18 of this annual report.

Income Taxes

The Group is subject to income taxes both in Finland and in numerous other jurisdictions. Significant judgment is required in determining income tax expense, uncertain tax positions, deferred tax assets and liabilities recognized in the consolidated financial statements. We recognize deferred tax assets to the extent that it is probable that sufficient taxable income will be available in the future against which the temporary differences, tax losses and unused tax credits can be utilized. We have considered future taxable income and tax planning strategies in making this assessment. Deferred tax assets are assessed for realizability each reporting period, and when circumstances indicate that it is no longer probable that deferred tax assets will be utilized, they are adjusted as necessary. In 2013, Nokia taxes continued to be unfavorably affected by Networks taxes as no tax benefits are recognized for certain Networks deferred tax items. Additionally, Nokia taxes were adversely affected by allowances related to Devices & Services Finnish deferred tax assets and discontinuation of recognizing tax benefits for Devices & Services Finnish deferred tax items due to uncertainty of utilization of these items.

At December 31, 2013, the Group had tax losses carry forward, temporary differences and tax credits of EUR 10 693 million (EUR 10 446 million in 2012) for which no deferred tax assets were recognized in the consolidated financial statements due to uncertainty of utilization of these items.

We recognize liabilities for uncertain tax positions based on estimates and assumptions when, despite our belief that tax return positions are supportable, it is more likely than not that certain positions will be challenged and may not be fully sustained upon review by tax authorities. The Group has ongoing tax investigations in multiple jurisdictions, including India. If the final outcome of these matters differs from

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the amounts initially recorded, differences may positively or negatively impact the current taxes and deferred taxes in the period in which such determination is made.

Results of Operations

In this Results of Operations discussion, we continue to refer to the reportable segments under their names as at December 31, 2013. Our current Networks business is referred to as Nokia Solutions and Networks, or NSN, HERE naming remains unchanged and our current Technologies business is referred to as Advanced Technologies.

2013 compared with 2012

Nokia Continuing Operations

The following table sets forth selective line items and the percentage of net sales that they represent for the fiscal years 2013 and 2012.

	Year Ended December 31, 2013	Percentage of Net Sales	Year Ended December 31, 2012	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	12 709	100.0%	15 400	100.0%	(17)%
Cost of sales	(7 364)	(57.9)%	(9 841)	(63.9)%	(25)%
Gross profit	5 345	42.1%	5 559	36.1%	(4)%
Research and development expenses	(2 619)	(20.6)%	(3 081)	(20.0)%	(15)%
Selling and marketing expenses	(974)	(7.7)%	(1 372)	(8.9)%	(29)%
Administrative and general expenses	(697)	(5.5)%	(690)	(4.5)%	1%
Other operating income and expenses	(536)	(4.2)%	(1 237)	(8.0)%	(57)%
Operating profit (loss)	519	4.1%	(821)	(5.3)%	

Net Sales

Continuing operations net sales declined by 17% to EUR 12 709 million in 2013 compared with EUR 15 400 million in 2012. The decline in Nokia s continuing operations net sales in 2013 was primarily due to lower NSN and HERE net sales. The decline in NSN net sales was partially due to divestments of businesses not consistent with its strategic focus, as well as the exiting of certain customer contracts and countries. Excluding these two factors, NSN net sales in 2013 declined by approximately 13% primarily due to reduced wireless infrastructure deployment activity, which affected both Global Services and Mobile Broadband. The decline in HERE net sales was primarily due to a decline in internal[1] HERE net sales due to lower recognition of deferred revenue related to our smartphone sales, partially offset by an increase in external HERE net sales due to higher sales to vehicle customers. Additionally, NSN and HERE net sales were negatively affected by foreign currency fluctuations.

[1] *HERE internal sales refers to sales that HERE had to our Discontinued Operations (formerly Devices & Services business) that used certain HERE services in its mobile devices. After the closing of the Sale of the D&S Business, HERE no longer generates such internal sales however, it will continue to recognize deferred revenue related to this business for up to 24 months after the closing of the Sale of the D&S Business. As part of the Sale of the D&S Business, Microsoft will become a strategic licensee of the HERE platform, and will separately pay HERE for a four-year license that will be recognized ratably as external net sales.*

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The following table sets forth the distribution by geographical area of our net sales for the fiscal years 2013 and 2012.

	Year Ended December 31, 2013	Change 2012 to 2013	Year Ended December 31, 2012
	(EUR millions, except percentage data)		
Europe[1)]	3 940	(19%)	4 892
Middle East & Africa	1 169	(14%)	1 362
Greater China	1 201	(10%)	1 341
Asia-Pacific	3 428	(23%)	4 429
North America	1 656	2%	1 628
Latin America	1 315	(25%)	1 748
Total	12 709	(17%)	15 400

1 All Technologies net sales are allocated to Finland.

Gross Margin

Gross margin for continuing operations in 2013 was 42.1%, compared to 36.1% in 2012. The increase in 2013 was primarily due to a higher NSN gross margin. NSN gross margin increased primarily due to improved efficiency in Global Services, an improved product mix with a greater share of higher margin products, and the divestment of less profitable businesses.

Operating Expenses

Our research and development expenses were EUR 2 619 million in 2013, compared to EUR 3 081 million in 2012. Research and development expenses represented 20.6% of our net sales in 2013, compared to 20.0% in 2012. Research and development expenses included purchase price accounting items of EUR 188 million in 2013, compared to EUR 375 in 2012. The decrease was primarily due to lower amortization of acquired intangible assets within HERE. In addition, it included EUR 15 million of transaction related costs, related to the Sale of the D&S Business.

In 2013, our selling and marketing expenses were EUR 974 million, compared to EUR 1 372 million in 2012. Selling and marketing expenses represented 7.7% of our net sales in 2013 compared to 8.9% in 2012. The decrease in selling and marketing expenses was due to lower purchase price accounting items and generally lower expenses in NSN and HERE. Selling and marketing expenses included purchase price accounting items of EUR 93 million in 2013 compared to EUR 313 million in 2012. The decrease was primarily due to items arising from the formation of NSN becoming fully amortized at the end of the first quarter of 2013.

Administrative and general expenses were EUR 697 million in 2013, compared to EUR 690 million in 2012. Administrative and general expenses were equal to 5.5% of our net sales in 2013 compared to 4.5% in 2012. The increase in administrative and general expenses as a percentage of net sales reflected a decline in net sales in 2013. Administrative and general expenses did not include purchase price accounting items in either 2013 or 2012.

Other income and expense was a net expense of EUR 536 million in 2013, compared to a net expense of EUR 1 237 million in 2012. In 2013, other income and expenses included restructuring charges of EUR 602 million, as well as transaction related costs of EUR 18 million related to the Sale of the D&S Business. In 2012, other income and expenses included restructuring charges of EUR 1 265 million, including EUR 42 million related to country and contract exits, impairments of assets of EUR 2 million, a negative adjustment of EUR 4 million to purchase price allocations related to the final payment from

Motorola as well as amortization of acquired intangible assets of EUR 23 million and a net gain on sale of real estate of EUR 79 million.

Operating Profit (loss)

Our 2013 operating profit was EUR 519 million, compared with an operating loss of EUR 821 million in 2012. The increased operating profit resulted primarily from lower restructuring charges and purchase price accounting items in general and an increase in the operating performance of our NSN and HERE businesses. Our operating profit in 2013 included purchase price accounting items, restructuring charges and other special items of net negative EUR 917 million compared to net negative EUR 1 963 million in 2012. Our 2013 operating margin was positive 4.1% compared to negative 5.3% in 2012. The improvement was primarily due to an increase in our gross margin and lower expenses in other income and expenses.

Corporate Common

Corporate common functions operating loss totaled EUR 57 million in 2013, compared to EUR 50 million in 2012. In 2013 corporate common included restructuring charges and associated impairments of EUR 10 million, as well as transaction related costs of EUR 18 million related to the Sale of the D&S Business. In 2012, corporate common benefitted from a net gain from sale of real estate of EUR 79 million and included restructuring charges of EUR 6 million.

Net Financial Income and Expenses

Financial income and expenses, net, was an expense of EUR 280 million in 2013 compared to an expense of EUR 357 million in 2012. The lower net expense in 2013 was primarily driven by lower foreign exchange losses.

Our net debt to equity ratio was negative 35% at December 31, 2013, compared with a net debt to equity ratio of negative 47% at December 31, 2012. See Item 5B. Liquidity and Capital Resources below.

Profit (loss) Before Taxes

Continuing operations profit before tax was EUR 243 million in 2013, compared to a loss of EUR 1 179 million in 2012. Taxes amounted to EUR 202 million in 2013 and EUR 304 million in 2012.

Non-controlling interests

Loss attributable to non-controlling interests from continuing operations totaled EUR 145 million in 2013, compared with a loss attributable to non-controlling interests of EUR 712 million in 2012. This change was primarily due to an improvement in NSN s results and our acquisition of Siemens stake in NSN.

Profit (loss) Attributable to Equity Holders of the Parent and Earnings per Share

Nokia Group s total loss attributable to equity holders of the parent in 2013 amounted to EUR 615 million, compared with a loss of EUR 3 105 million in 2012. Continuing operations generated a profit attributable to equity holders of the parent in 2013, amounting to EUR 186 million, compared with a loss of EUR 771 million in 2012. Nokia Group s total earnings per share in 2013 increased to EUR (0.17) (basic) and EUR (0.17) (diluted), compared with EUR (0.84) (basic) and EUR (0.84) (diluted) in 2012. From continuing operations, earnings per share in 2013 increased to EUR 0.05 (basic) and EUR 0.05 (diluted), compared with EUR (0.21) (basic) and EUR (0.21) (diluted) in 2012.

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Results by Segments

Nokia Solutions and Networks

The following table sets forth selective line items and the percentage of net sales that they represent for the fiscal years 2013 and 2012.

	Year Ended December 31, 2013	Percentage of Net Sales	Year Ended December 31, 2012	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	11 282	100.0%	13 779	100.0%	(18)%
Cost of Sales	(7 148)	(63.4)%	(9 610)	(69.7)%	(26)%
Gross profit	4 134	36.6%	4 169	30.3%	(1%)
Research and development expenses	(1 822)	(16.1)%	(2 046)	(14.9)%	(11%)
Selling and marketing expenses	(821)	(7.3)%	(1 158)	(8.4)%	(29%)
Administrative and general expenses	(489)	(4.3)%	(470)	(3.4)%	4%
Other income and expenses	(582)	(5.2)%	(1 290)	(9.4)%	(55%)
Operating profit (loss)	420	3.7%	(795)	(5.8)%	

Segment information

	Mobile Broadband	Global Services	NSN Other	NSN
	(EUR millions, except percentage data)			
2013				
Net sales	5 347	5 753	182	11 282
Contribution	420	693	(693)	
% of net sales	7.9%	12.0%	(381.9)%	
Operating profit				420
% of net sales				3.7%

	Mobile Broadband	Global Services	NSN Other	NSN
	(EUR millions, except percentage data)			
2012				
Net Sales	6 043	6 929	807	13 779
Contribution	490	334	(1 619)	
% of net sales	8.1%	4.8%	(200.6)%	
Operating loss				(795)
% of net sales				(5.8)%

NSN Other includes net sales and related cost of sales and operating expenses of non-core businesses, as well as Optical Networks business until May 6, 2013 when its divestment was completed. It also includes restructuring and associated charges for the NSN business.

Net Sales

NSN s net sales decreased 18% to EUR 11 282 million in 2013, compared to EUR 13 779 million in 2012. The year-on-year decline in NSN s net sales was primarily due to reduced wireless infrastructure deployment activity affecting both Mobile Broadband and Global Services, as well as the divestments of businesses not consistent with its strategic focus, foreign currency fluctuations and the exiting of certain customer contracts

and countries.

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Mobile Broadband net sales declined 12% to EUR 5 347 million in 2013, compared to EUR 6 043 million in 2012, as declines in WCDMA, CDMA and GSM were partially offset by growth in both FD-LTE and TD-LTE, reflecting the industry shift to 4G technology. Core network sales declined as a result of the customer focus on radio technologies.

Global Services net sales declined 17% to EUR 5 753 million in 2013, compared to EUR 6 929 million in 2012 primarily due to the exiting of certain customer contracts and countries as part of NSN s strategy to focus on more profitable business as well as a decline in network roll-outs in Japan and Europe.

The following table sets forth the distribution by geographical area of our net sales for the fiscal years 2013 and 2012.

	Year Ended December 31, 2013	Change 2012 to 2013	Year Ended December 31, 2012
	(EUR millions, except percentage data)		
Europe	3 041	(22%)	3 896
Middle East & Africa	1 111	(14%)	1 287
Greater China	1 185	(7%)	1 278
Asia-Pacific	3 354	(23%)	4 347
North America	1 334	3%	1 294
Latin America	1 257	(25%)	1 677
Total	11 282	(18%)	13 779

Gross Margin

NSN s gross margin was 36.6% in 2013, compared to 30.3% in 2012, driven by improved efficiency in Global Services, an improved product mix with a greater share of higher margin products, and the divestment of less profitable businesses.

In Mobile Broadband, gross margin improved in 2013 driven by an increased software share in the product mix, offset by costs incurred in anticipation of a technology shift to TD-LTE.

In Global Services, gross margin improved significantly in 2013 due to the increase in efficiencies as part of our restructuring program and the exit of certain customer contracts and countries as part of NSN s strategy to focus on more profitable business.

Operating Expenses

NSN s research and development expenses decreased 11% year-on-year in 2013 to EUR 1 822 million from EUR 2 046 million in 2012, primarily due to business divestments and reduced investment in business activities not in line with NSN s focused strategy as well as increased research and development efficiency, partially offset by higher investments in business activities that are in line with NSN s focused strategy, most notably LTE.

NSN s sales and marketing expenses decreased 29% year-on-year in 2013 to EUR 821 million from EUR 1 158 million in 2012, primarily due to structural cost savings from NSN s restructuring program and a decrease in purchase price accounting related items arising from the formation of NSN, which were fully amortized at the end of the first quarter of 2013.

NSN s administrative and general expenses increased 4% year-on-year in 2013 to EUR 489 million from EUR 470 million in 2012, primarily due to consultancy fees related to finance and information technology related projects, partially offset by structural cost savings.

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NSN s other income and expenses decreased in 2013 to an expense of EUR 582 million from an expense of EUR 1 290 million in 2012. In 2013, other income and expenses included restructuring charges of EUR 570 million, including EUR 52 million related to country and contract exits and EUR 157 million related to divestments to businesses, and in 2012 included restructuring charges and associated charges of EUR 1 226 million, including EUR 42 million related to country and contract exits, divestment of businesses EUR 50 million, impairments of assets of EUR 2 million, a negative adjustment of EUR 4 million to purchase price allocations related to the final payment from Motorola, as well as amortization of acquired intangible assets of EUR 23 million.

Operating Profit (loss)

NSN s operating profit in 2013 was EUR 420 million, compared with an operating loss of EUR 795 million in 2012. NSN s operating margin in 2013 was 3.7%, compared with a negative 5.8% in 2012. The increase in operating profit was primarily a result of an increase in the contribution of Global Services and a reduction in costs associated with NSN s transformation, consisting mainly of restructuring charges. Further, the purchase price accounting related items arising from the formation of NSN were fully amortized at the end of the first quarter of 2013.

The contribution of Mobile Broadband declined from EUR 490 million in 2012 to EUR 420 million in 2013, primarily as a result of lower net sales, which was partially offset by an improved gross margin and a reduction in operating expenses.

The contribution of Global Services increased from EUR 334 million in 2012 to EUR 693 million in 2013, as the increase in gross margin more than compensated for the decline in net sales, and the contribution in 2013 was further supported by a reduction in operating expenses.

Strategy and restructuring program

In November 2011, NSN announced its strategy to focus on mobile broadband and related services, and also launched an extensive global restructuring program, targeting a reduction of its annualized operating expenses and production overhead, excluding special items and purchase price accounting related items, by EUR 1 billion by the end of 2013, compared to the end of 2011. In January 2013, this target was raised to EUR 1.5 billion, and in July 2013 this target was further raised to more than EUR 1.5 billion . While these savings were expected to come largely from organizational streamlining, the program also targeted areas such as real estate, information technology, product and service procurement costs, overall general and administrative expenses, and a significant reduction of suppliers in order to further lower costs and improve quality. In 2013, NSN achieved its target to reduce operating expenses and production overhead, excluding special items and purchase price accounting items, by more than EUR 1.5 billion by the end of 2013, compared to the end of 2011.

During 2013, NSN recognized restructuring charges and other associated items of EUR 550 million related to this restructuring program, resulting in cumulative charges of approximately EUR 1 850 million. By the end of 2013, NSN had cumulative restructuring related cash outflows of approximately EUR 1 250 million relating to this restructuring program. NSN expects restructuring related cash outflows to be approximately EUR 450 million for the full year 2014 relating to this restructuring program.

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HERE

The following table sets forth selective line items and the percentage of net sales that they represent for the fiscal years 2013 and 2012.

	Year Ended December 31, 2013	Percentage of Net Sales	Year Ended December 31, 2012	Percentage of Net Sales	Percentage Increase/ (Decrease)
		(EUR millions, except percentage data)			
Net sales	914	100.0%	1 103	100.0%	(17%)
Cost of sales	(208)	(22.8%)	(228)	(20.7%)	(9%)
Gross profit	706	77.2%	875	79.3%	(19%)
Research and development expenses	(648)	(70.9%)	(883)	(80.0%)	(27%)
Selling and marketing expenses	(119)	(13.0%)	(186)	(16.9%)	(36%)
Administrative and general expenses	(69)	(7.5%)	(77)	(7.0%)	(10%)
Other operating income and expenses	(24)	(2.6%)	(30)	(2.7%)	(20%)
Operating profit (loss)	(154)	(16.8%)	(301)	(27.3%)	

Net Sales

HERE net sales decreased 17% to EUR 914 million in 2013, compared to EUR 1 103 million in 2012. HERE internal net sales decreased 59% to EUR 154 million in 2013, compared to EUR 374 million in 2012. HERE external net sales increased 4% to EUR 760 million in 2013, compared to EUR 729 million in 2012. The year-on-year decline in HERE internal net sales was due to lower recognition of deferred revenue related to our smartphone sales. The year-on-year increase in HERE external net sales in 2013 was primarily due to higher sales to vehicle customers, partially offset by lower sales to personal navigation devices customers. Additionally, HERE net sales were negatively affected by foreign currency fluctuations.

The following table sets forth the distribution by geographical area of our net sales for the fiscal years 2013 and 2012.

	Year Ended December 31, 2013	Change 2012 to 2013	Year Ended December 31, 2012
	(EUR millions, except percentage data)		
Europe	384	(19%)	477
Middle East & Africa	57	(23%)	74
Greater China	17	(73%)	63
Asia-Pacific	75	(9%)	82
North America	322	(4%)	335
Latin America	59	(18%)	72
Total	914	(17%)	1 103

Gross Margin

On a year-on-year basis, the decrease in HERE gross margin, 77.2% in 2013 compared to 79.3% in 2012, was primarily due to proportionally higher sales of update units to vehicle customers which generally carry a lower gross margin, partially offset by lower costs related to service delivery.

Operating Expenses

HERE research and development expenses decreased 27% to EUR 648 million in 2013 compared to EUR 883 million in 2012, primarily due to a decrease in purchase price accounting related items, EUR 168 million in 2013 compared to EUR 355 million in 2012, and cost reduction actions.

HERE sales and marketing expenses decreased 36% to EUR 119 million in 2013 compared to EUR 186 million in 2012, primarily driven by a decrease in purchase price accounting items, EUR 11 million in 2013 compared to EUR 68 million in 2012, cost reduction actions and lower marketing spending.

HERE administrative and general expenses decreased 10% to EUR 69 million in 2013 compared to EUR 77 million in 2012, primarily due cost reduction actions.

In 2013, HERE other income and expense had a slightly positive year-on-year impact on profitability, decreasing from EUR 30 million in 2012 to EUR 24 million in 2013. In 2013, we recognized restructuring charges of EUR 22 million in HERE, compared to EUR 31 million in 2012.

Operating Profit (loss)

HERE operating loss decreased to EUR 154 million in 2013, compared with a loss of EUR 301 million in 2012. HERE operating margin in 2013 was negative 16.8%, compared with negative 27.3% in 2012. The year-on-year improvement in operating margin in 2013 was driven primarily by the absence of significant purchase price accounting related items arising from the purchase of NAVTEQ, the vast majority of which had been fully amortized as of the end of the second quarter of 2013.

Advanced Technologies

The following table sets forth selective line items and the percentage of net sales that they represent for the fiscal years 2013 and 2012.

	Year Ended December 31, 2013	Percentage of Net Sales	Year Ended December 31, 2012	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	529	100.0%	534	100.0%	(1%)
Cost of sales	(14)	(2.6%)	(7)	(1.3%)	100%
Gross profit	515	97.4%	527	98.7%	(2%)
Research and development expenses	(147)	(27.8%)	(153)	(28.7%)	(4%)
Selling and marketing expenses	(34)	(6.4%)	(24)	(4.5%)	42%
Administrative and general expenses	(22)	(4.2%)	(22)	(4.1%)	0%
Other operating income and expenses	(2)	(0.4%)	(3)	(0.5%)	(33%)
Operating profit (loss)	310	58.6%	325	60.9%	(5%)

Net Sales

Advanced Technologies net sales was stable on a year-on-year basis, EUR 529 million in 2013 compared to EUR 534 million in 2012, primarily due to a non-recurring license fee of EUR 50 million in the fourth quarter 2012, partially offset by net increases in royalty payments from our licensees.

Gross Margin

On a year-on-year basis, the Advanced Technology gross margin decreased to 97.4% in 2013 compared to 98.7% in 2012.

Operating Expenses

Advanced Technologies research and development expenses decreased 4% to EUR 147 million in 2013 compared to EUR 153 million in 2012, primarily due to lower research and development costs, partially offset by transaction related costs of EUR 15 million related to the Sale of the D&S Business.

Advanced Technologies sales and marketing expenses increased 42% to EUR 34 million in 2013 compared to EUR 24 million in 2012, primarily due to IP licensing related litigation expenses. In 2013 sales and marketing expenses included transaction related costs of EUR 2 million related to the Sale of the D&S Business.

Advanced Technologies administrative and general expenses were flat year-on-year, amounting to EUR 22 million.

Advanced Technologies other income and expense was approximately flat year-on-year, and included restructuring charges of EUR 2 million in 2013, compared to EUR 3 million in 2012.

Operating Profit (loss)

Advanced Technologies operating profit decreased to EUR 310 million in 2013, compared to EUR 325 million in 2012. Advanced Technologies operating margin in 2013 was 58.6%, compared with 60.9% in 2012. The year-on-year decline in operating margin was driven primarily by the transaction related costs of EUR 17 million related to the Sale of the D&S Business to Microsoft, partially offset by decreased restructuring charges.

Nokia Discontinued Operations

The following table sets forth selective line items and the percentage of net sales that they represent for the fiscal years 2013 and 2012.

	Year Ended December 31, 2013	Percentage of Net Sales	Year Ended December 31, 2012	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	10 735	100.0%	15 152	100.0%	(29%)
Cost of sales	(8 526)	(79.4%)	(12 320)	(81.3%)	(31%)
Gross profit	2 209	20.6%	2 832	18.7%	(22%)
Research and development expenses	(1 130)	(10.5%)	(1 658)	(10.9%)	(32%)
Selling and marketing expenses	(1 345)	(12.5%)	(1 857)	(12.3%)	(28%)
Administrative and general expenses	(215)	(2.0%)	(286)	(1.9%)	(25%)
Other operating income and expenses	(109)	(1.0%)	(510)	(3.4%)	(79%)
Operating profit (loss)	(590)	(5.5%)	(1 479)	(9.8%)	

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Net Sales

Discontinued operations net sales decreased by 29% to EUR 10 735 million compared to EUR 15 152 million in 2012. The decline in discontinued operations net sales in 2013 was primarily due to lower Mobile Phones net sales and, to a lesser extent, lower Smart Devices net sales. The decline in Mobile Phones net sales was due to lower volumes and ASPs, affected by competitive industry dynamics, including intense smartphone competition at increasingly lower price points and intense competition at the low end of our product portfolio. The decline in Smart Devices net sales was primarily due to lower volumes, affected by competitive industry dynamics, including the strong momentum of competing smartphone platforms, as well as our portfolio transition from Symbian products to Lumia products.

The following table sets forth the distribution by geographical area of our net sales for the fiscal years 2013 and 2012.

	Year Ended December 31, 2013	Change 2012 to 2013	Year Ended December 31, 2012
	(EUR millions, except percentage data)		
Europe	3 266	(27%)	4 498
Middle East & Africa	1 689	(38%)	2 712
Greater China	816	(46%)	1 519
Asia-Pacific	2 691	(26%)	3 655
North America	623	17%	532
Latin America	1 650	(26%)	2 236
Total	10 735	(29%)	15 152

Gross Margin

Discontinued operations gross margin improved to 20.6% in 2013 compared to 18.7% in 2012. The increase in gross margin in 2013 was primarily due to a higher Smart Devices gross margin, partially offset by slightly lower Mobile Phones gross margin. The increase in Smart Devices gross margin was primarily due to lower inventory related allowances, which negatively affected Smart Devices gross margin in 2012.

Operating Expenses

Discontinued operations operating expenses were EUR 2 799 million in 2013, compared to EUR 4 311 million in 2012. The 35% decrease in 2013 was due to lower Mobile Phones and Smart Devices operating expenses, primarily due to structural cost savings, as well as overall cost controls.

Operating Profit (loss)

Discontinued operations operating margin improved to negative 5.5% in 2013 compared to negative 9.8% in 2012. The improvement was primarily due to structural cost savings, as well as overall cost controls, and a higher gross margin.

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2012 compared with 2011

Nokia Continuing Operations

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

	Year Ended December 31, 2012	Percentage of Net Sales	Year Ended December 31, 2011	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	15 400	100.0%	15 968	100.0%	(4%)
Cost of sales	(9 841)	(63.9%)	(10 408)	(65.2%)	(5%)
Gross profit	5 559	36.1%	5 560	34.8%	(0%)
Research and development expenses	(3 081)	(20.0%)	(3 334)	(20.9%)	(8%)
Selling and marketing expenses	(1 372)	(8.9%)	(1 608)	(10.1%)	(15%)
Administrative and general expenses	(690)	(4.5%)	(735)	(4.6%)	(6%)
Impairment of goodwill		0.0%	(1 090)	(6.8%)	(100%)
Other operating income and expenses	(1 237)	(8.0%)	(181)	(1.1%)	583%
Operating profit (loss)	(821)	(5.3%)	(1 388)	(8.7%)	

Net Sales

Nokia continuing operations net sales declined by 4% to EUR 15 400 million in 2012 compared to EUR 15 969 million in 2011. The decline was primarily due to lower net sales in Advanced Technologies due to non-recurring license payments in 2011, and lower net sales in NSN.

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

	Year Ended December 31, 2012	Change 2011 to 2012	Year Ended December 31, 2011
	(EUR millions, except percentage data)		
Europe[1)]	4 892	(16%)	5 794
Middle East & Africa	1 362	(7%)	1 466
Greater China	1 341	(16%)	1 592
Asia-Pacific	4 429	13%	3 921
North America	1 628	20%	1 361
Latin America	1 748	(5%)	1 834
Total	15 400	(4%)	15 968

1 All Technologies net sales are allocated to Finland.

Gross Margin

Continuing operations gross margin improved from 34.8% in 2011 to 36.1% in 2012. The improvement was primarily due to an increased gross margin in NSN.

Operating Expenses

Continuing operations research and development expenses were EUR 3 081 million in 2012, compared to EUR 3 334 million in 2011. Research and development costs represented 20.0% of our

net sales in 2012 compared to 20.9% in 2011. Research and development expenses included purchase price accounting items of EUR 375 million in 2012 compared to EUR 404 million in 2011.

In 2012, continuing operations selling and marketing expenses were EUR 1 372 million, compared to EUR 1 608 million in 2011. Selling and marketing expenses represented 8.9% of our net sales in 2012 compared to 10.1% in 2011. Selling and marketing expenses included purchase price accounting items of EUR 313 million in 2012 compared to EUR 421 million in 2011.

Continuing operations administrative and general expenses were EUR 690 million in 2012, compared to EUR 735 million in 2011. Administrative and general expenses were equal to 4.5% of our net sales in 2012 compared to 4.6% in 2011. Administrative and general expenses included purchase price accounting items of EUR 1 million in both 2012 and 2011.

Other income and expense was a slightly lower expense of EUR 1 237 million in 2012, compared to EUR 1 271 million in 2011. In 2012, other income and expenses included restructuring charges of EUR 1 265 million, including EUR 42 million related to country and contract exits, impairments of assets of EUR 2 million, a negative adjustment of EUR 4 million to purchase price allocations related to the final payment from Motorola as well as amortization of acquired intangible assets of EUR 23 million and a net gain on sale of real estate of EUR 79 million. In 2011, other income and expenses included an impairment of goodwill of EUR 1 090 million and restructuring charges of EUR 183 million.

Operating Profit (loss)

Our 2012 operating loss was EUR 821 million, compared to a loss of EUR 1 388 million in 2011. The improvement was primarily due to lower other expenses in the HERE business due to the impairment of goodwill of EUR 1 090 million in 2011 and increased underlying profitability at NSN, partially offset by higher restructuring charges in NSN. Continuing operations operating margin improved from negative 8.7% in 2011 to negative 5.3% in 2012. Our operating loss in 2012 included purchase price accounting items, restructuring charges and other special items of a net negative EUR 1 962 million in 2012 compared to a net negative EUR 2 191 million in 2011, including impairment of goodwill amounting to EUR 1 090 million.

Corporate Common

Corporate common functions operating loss totaled EUR 50 million in 2012 compared to EUR 174 million in 2011. In 2012, corporate common benefitted from a net gain from sale of real estate of EUR 79 million and included restructuring charges of EUR 6 million, whereas 2011 included impairments in associated companies of EUR 41 million and restructuring charges of EUR 5 million.

Net Financial Income and Expenses

Financial income and expenses, net, was an expense of EUR 357 million in 2012 compared to an expense of EUR 131 million in 2011. The higher net expense in 2012 was primarily driven by foreign exchange losses.

Our net debt to equity ratio was negative 46% at December 31, 2012, compared with a net debt to equity ratio of negative 40% at December 31, 2011. See Item 5B. Liquidity and Capital Resources below.

Profit (loss) Before Taxes

Continuing operations loss before tax was EUR 1 179 million in 2012, compared to a loss of EUR 1 542 million in 2011. Taxes amounted to EUR 304 million in 2012 and EUR 73 million in 2011.

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Non-controlling interests

Loss attributable to non-controlling interests from continuing operations totaled EUR 712 million in 2012, compared with a loss attributable to non-controlling interests of EUR 343 million in 2011. This change was primarily due to an increase in NSN s losses.

Profit (loss) Attributable to Equity Holders of the Parent and Earnings per Share

Nokia Group s total loss attributable to equity holders of the parent in 2012 amounted to EUR 3 105 million, compared with a loss of EUR 1 163 million in 2011. Continuing operations generated a loss attributable to equity holders of the parent in 2012, amounting to EUR 771 million, compared with a loss of EUR 1 272 million in 2011. Nokia Group s total earnings per share in 2012 decreased to EUR (0.84) (basic) and EUR (0.84) (diluted), compared with EUR (0.31) (basic) and EUR (0.31) (diluted) in 2011. From continuing operations, earnings per share in 2012 increased to EUR (0.21) (basic) and EUR (0.21) (diluted), compared with EUR (0.34) (basic) and EUR (0.34) (diluted) in 2011.

Results by Segments

Nokia Solutions and Networks

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

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

	Year Ended December 31, 2012	Percentage of Net Sales	Year Ended December 31, 2011	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	13 779	100.0%	14 041	100.0%	(2%)
Cost of sales	(9 610)	(69.7%)	(10 199)	(72.6%)	(6%)
Gross profit	4 169	30.3%	3 842	27.4%	8%
Research and development expenses	(2 046)	(14.8%)	(2 185)	(15.6%)	(6%)
Selling and marketing expenses	(1 158)	(8.4%)	(1 328)	(9.5%)	(13%)
Administrative and general expenses	(470)	(3.4%)	(514)	(3.7%)	(8%)
Other operating income and expenses	(1 290)	(9.4%)	(112)	(0.8%)	
Operating profit (loss)	(795)	(5.8%)	(297)	(2.1%)	

Segment information

	Mobile Broadband	Global Services	NSN Other	NSN
	(EUR millions, except percentage data)			
2012				
Net sales	6 043	6 929	807	13 779
Contribution	490	334	(1 619)	
% of net sales	8.1%	4.8%	(200.6)%	
Operating profit				(795)
% of net sales				(5.8)%

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	Mobile Broadband	Global Services	NSN Other	NSN
	(EUR millions, except percentage data)			
2011				
Net Sales	6 335	6 737	969	14 041
Contribution	216	230	(743)	
% of net sales	3.4%	3.4%	(76.7)%	
Operating loss				(297)
% of net sales				(2.1)%

NSN Other includes net sales and related cost of sales and operating expenses of non-core businesses, as well as Optical Networks business until May 6, 2013 when its divestment was completed. It also includes restructuring and associated charges for the NSN business.

Net Sales

NSN s net sales decreased 2% to EUR 13 779 million in 2012, compared to EUR 14 041 million in 2011. The year-on-year decline in NSN s net sales was primarily due to the decline in sales of business areas not in line with NSN s strategic focus and lower Mobile Broadband sales, partially offset by higher Global Services net sales. On a full-year basis, Global Services represented slightly more than 50% of NSN s net sales in 2012 and 48% in 2011.

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

	Year Ended December 31, 2012	Change 2011 to 2012	Year Ended December 31, 2011
	(EUR millions, except percentage data)		
Europe	3 896	(13%)	4 469
Middle East & Africa	1 287	(7%)	1 391
Greater China	1 278	(13%)	1 465
Asia-Pacific	4 347	13%	3 848
North America	1 294	20%	1 077
Latin America	1 677	(6%)	1 791
Total	13 779	(2%)	14 041

Gross Margin

NSN s gross margin was 30.3% in 2012, compared to 27.4% 2011. The increase in NSN gross margin in 2012 was primarily due to the better gross margin in both Mobile Broadband and Global Services. Within Mobile Broadband, the increase was primarily due to favorable region and product mix in line with NSN s strategic focus. Within Global Services, the increase was primarily due to structural cost actions and efforts to align the business with the focused strategy.

Operating Expenses

NSN s research and development expenses decreased 6% year-on-year in 2012, primarily due to structural cost saving actions and overall research and development efficiency.

NSN s sales and marketing expenses decreased 13% year-on-year in 2012, primarily due to structural cost saving actions.

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NSN s administrative and general expenses decreased 8% year-on-year in 2012, primarily due to structural cost saving actions.

In 2012, NSN other and other income and expense had a negative year-on-year impact on profitability, and amounted to EUR 1 290 million in 2012 compared to EUR 112 million in 2011. In 2012, other income and expense included restructuring charges and associated charges of EUR 1 226 million, including EUR 42 million related to country and contract exits, EUR 50 million related to divestments of businesses, impairments of assets of EUR 2 million, a negative adjustment of EUR 4 million to purchase price allocations related to the final payment from Motorola, as well as amortization of acquired intangible assets of EUR 23 million. In 2011, NSN recognized restructuring charges of EUR 145 million and associated charges, including EUR 19 million related to divestments of businesses.

Operating Profit (loss)

NSN s operating loss in 2012 was EUR 795 million, compared with an operating loss of EUR 297 million in 2011. NSN s operating margin in 2012 was a negative 5.8%, compared with a negative 2.1% in 2011, primarily due to restructuring charges of EUR 1 247 million in 2012.

Strategy and restructuring program

During 2012, NSN recognized restructuring charges and other associated items of approximately EUR 1 300 million related to this restructuring program, resulting in cumulative charges of approximately EUR 1 300 million. By the end of 2012, NSN had cumulative restructuring related cash outflows of approximately EUR 650 million relating to this restructuring program.

HERE

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

	Year Ended December 31, 2012	Percentage of Net Sales	Year Ended December 31, 2011	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	1 103	100.0%	1 091	100.0%	1%
Cost of sales	(228)	(20.7%)	(214)	(19.6%)	7%
Gross profit	875	79.3%	877	80.4%	(0%)
Research and development expenses	(883)	(80.0%)	(958)	(87.8%)	(8%)
Selling and marketing expenses	(186)	(16.9%)	(259)	(23.7%)	(28%)
Administrative and general expenses	(77)	(7.0%)	(68)	(6.2%)	13%
Other operating income and expenses	(30)	(2.7%)	(1 118)	(102.5%)	(97%)
Operating profit (loss)	(301)	(27.3%)	(1 526)	(139.9%)	

Net Sales

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

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

	Year Ended December 31, 2012	Change 2011 to 2012	Year Ended December 31, 2011
	(EUR millions, except percentage data)		
Europe	477	(2%)	488
Middle East & Africa	74	0%	74
Greater China	63	(51%)	128
Asia-Pacific	82	11%	74
North America	335	18%	284
Latin America	72	67%	43
Total	1 103	1%	1 091

Gross Margin

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

Operating Expenses

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

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

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

In 2012, HERE other income and expense had a positive year-on-year impact on profitability, and amounted to EUR 30 million in 2012, compared to EUR 1 118 million in 2011. In 2012, we recognized special items of EUR 31 million in HERE, comprised of restructuring charges of EUR 31 million. In 2011, we recognized special items of EUR 1 115 million in HERE, comprised of restructuring charges of EUR 25 million and impairment of goodwill of EUR 1 090 million.

Operating Profit (loss)

HERE operating loss decreased to EUR 301 million in 2012, compared with a loss of EUR 1 526 million in 2011. HERE operating margin in 2012 was negative 27.3%, compared with negative 139.9% in 2011. The year-on-year improvement in operating margin in 2012 was driven primarily by the lower other operating expenses due to the impairment of HERE s goodwill of EUR 1 090 million in 2011.

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Advanced Technologies

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

	Year Ended December 31, 2012	Percentage of Net Sales	Year Ended December 31, 2011	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	534	100.0%	851	100.0%	(37%)
Cost of sales	(7)	(1.3%)			
Gross profit	527	98.7%	851	100.0%	(38%)
Research and development expenses	(153)	(28.7%)	(193)	(22.7%)	(21%)
Selling and marketing expenses	(24)	(4.5%)	(18)	(2.1%)	33%
Administrative and general expenses	(22)	(4.1%)	(18)	(2.1%)	22%
Other operating income and expenses	(3)	(0.5%)	(13)	(1.5%)	(77%)
Operating profit	325	60.9%	609	71.6%	(47%)

Net Sales

Advanced Technologies net sales declined by 37%, EUR 534 million in 2012 compared to EUR 851 million in 2011, primarily due to lower non-recurring IPR income in 2012 compared to 2011, amounting to EUR 50 million and EUR 450 million, respectively. The non-recurring IPR income relates to new patent license agreements for the respective years that included settlements of past royalties and accordingly is not expected to have a recurring benefit.

Gross Margin

Advanced Technologies gross margin declined to 98.7% in 2012 compared to 100.0% in 2011.

Operating Expenses

Advanced Technologies research and development expenses decreased 21% to EUR 153 million in 2012 compared to EUR 193 million in 2011, due to overall cost reduction activities in several locations in 2012.

Advanced Technologies sales and marketing expenses increased 33% to EUR 24 million in 2012 compared to EUR 18 million in 2011, due to IP licensing and related litigation in 2012.

Advanced Technologies administrative and general expenses increased 22% to EUR 22 million in 2012 compared to EUR 18 million in 2011 due to higher allocation of site related costs.

Advanced Technologies other income and expense was an expense of EUR 3 million in 2012 compared to an expense of EUR 13 million in 2011, consisting of restructuring charges.

Operating Profit (loss)

Advanced Technologies operating profit decreased to EUR 325 million in 2012, compared to EUR 609 million in 2011. Advanced Technologies operating margin was 60.9% in 2012 compared to 71.6% in 2011. The year-on-year decline in operating margin was driven primarily by lower non-recurring IPR income in 2012 compared to 2011.

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Nokia Discontinued Operations

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

	Year Ended December 31, 2012	Percentage of Net Sales	Year Ended December 31, 2011	Percentage of Net Sales	Percentage Increase/ (Decrease)
	(EUR millions, except percentage data)				
Net sales	15 152	100.0%	23 091	100.0%	(34%)
Cost of sales	(12 320)	(81.3%)	(17 292)	(74.9%)	(29%)
Gross profit	2 832	18.7%	5 799	25.1%	(51%)
Research and development expenses	(1 658)	(10.9%)	(2 211)	(9.7%)	(25%)
Selling and marketing expenses	(1 857)	(12.3%)	(2 179)	(9.4%)	(15%)
Administrative and general expenses	(286)	(1.9%)	(370)	(1.5%)	(23%)
Other operating income and expenses	(510)	(3.4%)	(723)	(3.1%)	(29%)
Operating profit (loss)	(1 479)	(9.8%)	316	1.4%	

Net Sales

Discontinued operations net sales in 2012 decreased by 34% to EUR 15 152 million compared to EUR 23 091 million in 2011. The decrease was primarily due to declining devices sales volumes, both within Smart Devices and Mobile Phones, as well as lower ASP in Mobile Phones, partially offset by a higher ASP in Smart Devices.

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

	Year Ended December 31, 2012	Change 2011 to 2012	Year Ended December 31, 2011
	(EUR millions, except percentage data)		
Europe	4 498	(34%)	6 857
Middle East & Africa	2 712	(31%)	3 928
Greater China	1 519	(68%)	4 808
Asia-Pacific	3 655	(22%)	4 693
North America	532	22%	436
Latin America	2 236	(6%)	2 369
Total	15 152	(34%)	23 091

Gross Margin

Discontinued operations gross margin declined to 18.7% in 2012 compared to 25.1% in 2011. The decline was primarily due to a lower gross margin in Smart Devices, and to a lesser degree in Mobile Phones.

Operating Expenses

Discontinued operations operating expenses were approximately EUR 4 311 million in 2012, compared to approximately EUR 5 483 million in 2011. The decrease was primarily due to lower operating expenses in Smart Devices.

Operating Margin

Discontinued operations operating margin declined to negative 9.8% in 2012 compared to positive 1.4% in 2011. The decline was primarily due to lower net sales and a lower gross margin in both Smart Devices and Mobile Phones.

5B. Liquidity and Capital Resource

At December 31, 2013, our cash and other liquid assets (bank and cash; available-for-sale investments, cash equivalents; available-for-sale investments, liquid assets; and investments at fair value through profit and loss, liquid assets) decreased to EUR 8 971 million, compared with EUR 9 909 million at December 31, 2012, primarily due to the acquisition of Siemens AG s stake in NSN, cash outflows related to restructuring and taxes, as well as capital expenditures. This was partially offset by the issuance of convertible bonds to Microsoft, and positive overall net cash from operating activities. At December 31, 2011, cash and other liquid assets totaled EUR 10 902 million.

At December 31, 2013, cash and cash equivalents (bank and cash and available-for-sale investments, cash equivalent) decreased to EUR 7 633 million, compared with EUR 8 952 million at December 31, 2012. We hold our cash and cash equivalents predominantly in euro. Cash and cash equivalents totaled EUR 9 236 million at December 31, 2011.

Net cash from operating activities was EUR 72 million in 2013, compared with net cash used in operating activities of EUR 354 million in 2012 and net cash from operating activities of EUR 1 137 million in 2011. In 2013, net cash from operating activities increased primarily due to increase in profitability and other financial income and expenses, net and a decrease in income taxes paid. This was partially offset by an increase in working capital. In 2012, net cash from operating activities decreased to net cash used in operating activities primarily due to a decrease in profitability and cash outflows relating to restructuring. Net cash used in investing activities was EUR 691 million in 2013, compared with EUR 562 million net cash from investing activities in 2012 and EUR 1 499 million in 2011. No net cash from acquisitions of businesses, net of acquired cash, was recorded in 2013, compared to net cash from acquisitions of businesses, net of acquired cash, of EUR 13 million in 2012 and EUR 817 million net cash used in 2011. Cash flow from investing activities in 2013 included purchases of current available-for-sale investments, liquid assets of EUR 1 021 million, compared with EUR 1 668 million in 2012 and EUR 3 676 million in 2011. In 2013, net cash used in investing activities did not include purchase of investments at fair value through profit and loss, liquid assets, compared with EUR 40 million in 2012.

Capital expenditures for 2013 were EUR 407 million, compared with EUR 461 million in 2012 and EUR 597 million in 2011. 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 586 million, compared with EUR 2 355 million in 2012 and EUR 6 090 million in 2011. Net cash used in financing activities increased to EUR 477 million in 2013, compared with EUR 465 million in 2012, due to EUR 1 707 million used to purchase the shares in NSN, EUR 2 291 proceeds from long-term borrowing and EUR 862 million repayment of long-term borrowings, EUR 128 million repayment of short-term borrowings and EUR 71 million payment of dividends. Net cash used in financing activities decreased to EUR 465 million in 2012, compared with EUR 1 099 million in 2011, primarily as a result EUR 743 million net proceeds from the issuance of a convertible bond and a decrease in dividend payments to EUR 755 million in 2012 from EUR 1 536 million in 2011 partly offset by an increase in repayments of long-term and short-term borrowings as well as no contributions from other

shareholders compared to the EUR 500 million equity investment in Nokia Siemens Networks by Siemens in 2011. Dividends paid decreased to EUR 71 million in 2013, compared with EUR 755 million in 2012 and EUR 1 536 million in 2011.

At December 31, 2013, we had EUR 3 286 million in long-term interest-bearing liabilities and EUR 3 376 million in short-term borrowings, offset by EUR 8 971 million in cash and other liquid assets, resulting in a net liquid assets balance of EUR 2 309 million, compared with EUR 4 360 million at the end of 2012 and EUR 5 581 million at the end of 2011. The decrease in net liquid assets in 2013 was primarily due to acquisition of Siemens AG s stake in NSN, cash outflows relating to restructuring and cash outflows related to net financial expenses and taxes as well as capital expenditures. This was partially offset by positive overall net cash from operating activities, excluding cash outflows related to restructuring, net financial expenses and taxes, proceeds from sale of fixed assets and recording of the EUR 154 million equity component of the convertible bonds issued to Microsoft as shareholders equity. For further information regarding our long-term liabilities, see Note 35 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 capital and reserves attributable to equity holders of the parent and non-controlling interests, was negative 35%, negative 47% and negative 40% at December 31, 2013, 2012 and 2011, respectively.

We have EUR 3 376 million of interest-bearing liabilities maturing in 2014. EUR 1 750 million was repaid in February 2014 and EUR 1 500 million nominal value convertible bonds issued to Microsoft were netted against the deal proceeds at closing of the transaction on April 25, 2014. We may incur additional indebtedness from time to time as required to finance acquisitions and working capital needs, or to pre-finance future debt maturities. In 2013, we obtained EUR 1 200 bridge financing and EUR 500 million vendor loan financing for the financing of the acquisition of Siemens AG s stake in NSN. Further, we issued convertible bonds with a nominal value of EUR 1 500 million to Microsoft. Net proceeds were used to partially refinance the bridge facility and vendor loan financing related to the acquisition of Siemens AG s stake in NSN and for general corporate purposes. The convertible bonds carry coupons of 1.125%, 2.5% and 3.625% and have maturity dates in September 2018, 2019 and 2020. The bonds are convertible to our shares with initial conversion prices of EUR 3.9338, 4.0851 and 4.2364 per share, respectively. The conversion prices are subject to adjustment according to customary anti-dilution provisions.

In 2013, Nokia Networks issued EUR 450 million of 6.75% Senior Notes due April 2018 and EUR 350 million of 7.125% Senior Notes due April 2020. The net proceeds, EUR 779 million, from the bond issuance were used to prepay EUR 600 million bank term loan and EUR 50 million of EIB R&D loan in March 2013 and the remaining proceeds are to be used for general corporate purposes. The notes include covenants restricting, among other things, Networks ability to incur or guarantee additional debt, pay dividends, buy back equity and make investments in minority interests, create or incur certain liens and engage in merger, consolidation or asset sales. These covenants, which are customary in the issuance of high yield bonds, are subject to a number of qualifications and exceptions.

In 2012, we issued a convertible bond with a nominal value of EUR 750 million. The convertible bond carries a coupon of 5% and has a maturity date in October 2017. It is convertible to our shares with an initial conversion price of EUR 2.6116 per share. The conversion price is subject to adjustments according to customary anti-dilution provisions. In 2011 we did not raise material new long-term debt.

At December 31, 2013, we had a USD 4 000 million US Commercial Paper program, a USD 4 000 million Euro Commercial Paper program, a domestic Finnish commercial paper program totaling EUR 750 million, a EUR 5 000 million Euro Medium-Term Note program, and a shelf registration statement for an indeterminate amount of debt securities on file with the US Securities and Exchange Commission. At December 31, 2013, we also had an undrawn committed credit facility of EUR 1 500 million maturing in 2016. The credit facility has no financial covenants.

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In December 2011, Nokia Networks entered into a EUR 1 255 million committed forward starting credit facility effective from the forward start date of June 1, 2012. By April 2012 the committed facility had been increased to EUR 1 500 million. The facility replaced the EUR 2 000 million revolving credit facility from 2009 that matured in June 2012. The EUR 1 500 million committed facility was comprised of two equal parts, a EUR 750 million revolving credit facility maturing in June 2015 and a EUR 750 million term loan maturing in June 2013. In December 2012, EUR 150 million of the term loan was repaid and the maturity of the remaining EUR 600 million term loan was extended to March 2014. The forward starting credit facility is used for general corporate purposes and includes financial covenants relating to financial leverage and interest coverage of Networks. At December 31, 2012, all financial covenants were satisfied.

At December 31, 2013, Networks had EUR 88 million in Finnish pension loans outstanding with final maturity in 2015, EUR 50 million loan outstanding from the European Investment Bank (EIB) with final maturity in 2015 and EUR 20 million loan outstanding from the Nordic Investment Bank (NIB) with final maturity in 2015. The proceeds of the EIB and NIB loans are being used to finance the investments in research and development in radio access network technology for mobile communication systems. The loans include similar financial covenants as the forward starting credit facility. At December 31, 2013, all financial covenants were satisfied. In March 2013, Networks prepaid the EUR 600 million term loan under the forward starting credit facility. At December 31, 2013, the revolving credit facility of EUR 750 million remains undrawn under the forward starting credit facility.

Networks had a domestic Finnish commercial paper program totaling EUR 500 million of which EUR 25 million was outstanding at December 31, 2013.

We have historically maintained a high level of liquid assets. Management estimates that the cash and other liquid assets level of EUR 8 971 million at the end of 2013, 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 service requirements at least through 2014.

We believe that we 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. Over the past few years we have also invested in services and software by acquiring certain companies with specific technology assets and expertise. In 2013, capital expenditures, excluding acquisitions, totaled EUR 407 million, compared with EUR 461 million in 2012 and EUR 597 million in 2011. The decrease in 2013 resulted primarily from site consolidation and increased efficiency. Principal capital expenditures during the three years 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. During 2014, we currently expect the amount of capital expenditure from continuing operations, excluding acquisitions, to be approximately EUR 200 million, primarily attributable to Networks, and to be funded from our cash flow from operations. The reduction in the estimated capital expenditures (excluding acquisitions) during 2014, compared to the previous years is primarily attributable to the effect of the Sale of the D&S Business.

Planned EUR 5 billion capital structure optimization program

As announced on April 29, 2014, as a result of the closing of the Sale of the D&S Business, Nokia s financial position and earnings profile have both improved significantly. Furthermore, Nokia s Board of

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Directors has conducted a thorough analysis of Nokia s potential capital structure requirements. Based on this analysis, the Nokia Board is confident that Nokia has the financial strength and flexibility to sustain the long-term investments necessary to ensure industry leadership in the future.

In addition, to improve the efficiency of Nokia s capital structure, the Nokia Board announced plans for a EUR 5 billion capital structure optimization program which focuses on recommencing ordinary dividends, distributing deemed excess capital to shareholders, and reducing interest bearing debt. The plan consists of EUR 3 billion of total cash returns to shareholders through dividends and share repurchases and EUR 2 billion of debt reduction, over the next two years. This comprehensive program consists of the following components:

Recommencement of ordinary dividend payments, with at least EUR 800 million of ordinary dividends in total planned for 2013 and 2014, as follows:

An ordinary dividend for 2013 of EUR 0.11 per share (approximately EUR 400 million), subject to shareholder approval in 2014; and

A planned ordinary dividend for 2014 of at least EUR 0.11 per share (at least approximately EUR 400 million), subject to shareholder approval in 2015;

A special dividend of EUR 0.26 per share, subject to shareholder approval in 2014 (approximately EUR 1 billion);

A EUR 1.25 billion share repurchase program, subject to the authorization to the Board by the shareholders in 2014; and

Debt reduction of approximately EUR 2 billion by the end of the second quarter 2016.

As part of the overall capital structure optimization program, Nokia Board of Directors proposes to the Annual General Meeting, scheduled to take place on June 17, 2014 (Annual General Meeting 2014), the recommencement of ordinary dividend payments to shareholders. The Nokia Board proposes to the Annual General Meeting 2014 that a dividend of EUR 0.11 per share be paid with respect to the year 2013, which equals approximately half of Nokia s earnings from continuing operations in 2013, excluding special items and purchase price accounting related items. This ordinary dividend for 2013 is expected to be paid on or about July 3, 2014.

Furthermore, the Nokia Board plans to propose an ordinary dividend of at least EUR 0.11 per share with respect to the year 2014 to the Annual General Meeting convening in spring 2015.

The Nokia Board of Directors proposes to the Annual General Meeting 2014 a special dividend of EUR 0.26 per share (approximately EUR 1 billion). The special dividend is expected to be paid on or about July 3, 2014.

The Nokia Board also proposes a share repurchase authorization to facilitate the EUR 1.25 billion of planned share repurchases over two years. The Nokia Board proposes that the Annual General Meeting 2014 authorize the Board to resolve to repurchase a maximum of 370 million Nokia shares, which corresponds to less than 10% of Nokia shares outstanding. The term of the repurchase authorization is for the maximum of 18 months under Finnish regulations, and is expected to be re-proposed by the Nokia Board at the Annual General Meeting 2015. The shares are expected to be cancelled. The shares may be repurchased in the open market, in privately negotiated transactions, through the use of derivative instruments, or through a tender offer made to all shareholders on equal terms. The share repurchase authorization would be effective until December 17, 2015 and terminate the current authorization granted by the Annual General Meeting on May 7, 2013. The Nokia Board plans to commence the repurchases following the publication of the Company s interim report for the second quarter of 2014.

In addition, Nokia plans to reduce interest bearing debt by approximately EUR 2 billion by the end of the second quarter 2016. Once complete, the debt reduction is expected to result in annual run rate savings of at least EUR 100 million related to recurring interest costs. Furthermore, lowering our gross debt level is aligned with our target to return to being an investment grade company. Nokia intends to reduce interest bearing debt by utilizing applicable maturity dates, call dates, or other terms allowing early redemption or retirement of debt or by making offers to repurchase debt in the open market.

See Item 3A. Selected Financial Data Distribution of Earnings for certain additional information .

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, facilitate or provide long-term financing as a condition to obtain infrastructure projects. Credit markets in general have been tight since 2009. Requests for customer financing and especially extended payment terms have remained at a reasonably high level.

However, during 2013, the amount of financing provided directly to our customers continued to decrease. We do not currently intend to significantly increase financing directly to our customers, which may have an adverse effect on our ability to compete successfully for their business. Rather, as a strategic market requirement, we plan to continue to arrange and facilitate financing, typically supported by export credit or guarantee agencies, and provide extended payment terms to a number of 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.

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

Customer Finance

	At December 31,		
	2013	2012	2011
	(EUR millions)		
Financing commitments	25	34	86
Outstanding long-term loans (net of allowances and write-offs)	10	39	60
Current portion of outstanding long-term loans (net of allowances and write-offs)	29	35	54
Outstanding financial guarantees and securities pledged			
Total	64	108	200

In 2013, our total customer financing, outstanding and committed, decreased to EUR 64 million from EUR 108 million in 2012 and primarily consisted of outstanding short-term and long-term loans to network operators.

In 2012, our total customer financing, outstanding and committed, decreased to EUR 108 million from EUR 200 million in 2011 and primarily consisted of outstanding long-term loans to network operators.

See Note 34(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.

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. Should the demand for customer finance increase in the future, we intend to continue mitigation of our total structured financing exposure, market conditions permitting.

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

The structured financing commitments are available under loan facilities mainly negotiated with customers of 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 customer loans are available to fund capital expenditure relating to the purchase of network infrastructure equipment and services from Networks.

The following table sets forth the amounts of our contingent commitments for the periods indicated as at December 31, 2013. The amounts represent the maximum principal amount of commitments.

Contingent Commitments Expiration Per Period

	2014	2015-2016	2017-2018	Thereafter	Total
			(EUR millions)		
Guarantees of Nokia s performance	83	297	55	27	463

Guarantees of Nokia s performance consist of EUR 463 million of guarantees that are provided to certain Networks customers in the form of bank guarantees, or corporate guarantees issued by Networks Group entity. These instruments entitle the customer to claim payment as compensation for non-performance by Networks of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is payable either on demand, or is subject to verification of non-performance.

Financial guarantees and securities pledged that we may give on behalf of customers represent guarantees relating to payment by certain 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 or other third party.

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

5C. Research and Development, Patents and Licenses

Success in the mobile communications industry requires continuous introduction of new products and services and their combinations based on the latest available technology. Consequently, we have made substantial research and development (R&D) investments in each of the last three years. Our consolidated R&D expenses for 2013 were EUR 3 748 million, decrease of 21% from EUR 4 739 million in 2012. The decrease in R&D expenses was due to decreased R&D expenses in all businesses. R&D expenses in 2011 were EUR 5 546 million. These expenses represented 16.0%, 15.5% and 14.2% of Nokia net sales in 2013, 2012 and 2011, respectively. For continuing operations, the R&D expenses were EUR 2 619 million in 2013, EUR 3 081 million in 2012 and EUR 3 334 million in 2011. For continuing operations, these expenses represented 20.6%, 20.0% and 20.9% of continuing operations net sales for 2013, 2012 and 2011, respectively. In 2013, Networks R&D expenses included EUR 20 million of purchase price accounting related items compared to EUR 20 million in 2012. In 2011, Networks R&D expenses included EUR 61 million of purchase price

accounting related items. In 2013, HERE R&D expenses included EUR 168 million of purchase price accounting related items compared to EUR 355 million in 2012. In 2011, R&D expenses in HERE included EUR 343 million of purchase price accounting related items.

At December 31, 2013, we employed 20 868 people in R&D, representing approximately 38% of our total workforce, and had a strong global research and development presence, including countries such as China, Finland, Germany, Hungary, India, Poland and the United States. R&D expenses of Networks as a percentage of its net sales were 16.2% in 2013 compared with 14.8% in 2012 and 15.6% in 2011. HERE R&D expenses represented 70.9% of its net sales in 2013, compared with 80.1% of its net sales in 2012 and 87.8% in 2011. In the case of Technologies, R&D expenses represented 27.8%, 28.3% and 22.6% of its net sales in 2013, 2012 and 2011, respectively.

We will continue to invest in research and development in an appropriate manner to support our strategic objectives.

5D. Trends Information

See Item 5A. Operating Results Principal Factors and Trends Affecting our Results of Operations for information on material trends affecting our business and results of operations.

5E. 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.

5F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations for Nokia continuing operations for the periods indicated as at December 31, 2013.

Contractual Obligations Payments Due by Period

	2014	2015-2016	2017-2018 (EUR millions)	Thereafter	Total
Long-term liabilities	3 192	134	1 131	2 090	6 547
Operating leases	139	164	96	151	550
Purchase obligations	597	174	1		772
Total	3 928	472	1 228	2 241	7 869

Benefit payments related to the underfunded defined benefit plans are not 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

As announced by Nokia on April 29, 2014, the Nokia Leadership Team is renamed the Nokia Group Leadership Team effective as from May 1, 2014. We generally use the term Nokia Leadership Team when discussing the management and compensation in 2013 and, where applicable, use the name Nokia Group Leadership Team in other connections The terms Nokia Leadership Team and Nokia Group Leadership Team may be used interchangeably in this annual report.

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6A. Directors and Senior Management

Pursuant to the provisions of the Finnish Limited Liability Companies Act and Nokia s Articles of Association, the control and management of Nokia is divided among the shareholders at a general meeting, the Board of Directors (the Board), the President and Chief Executive Officer (CEO) and the Nokia Group Leadership Team (previously, until May 1, 2014 Nokia Leadership Team), chaired by the President and CEO.

On September 3, 2013, Nokia announced changes to its leadership as a result of the proposed Sale of the D&S Business. These changes were designed to provide an appropriate corporate governance structure during the interim period following the announcement. As Stephen Elop was agreed to transfer to Microsoft upon closing of the transaction, he left his position as President and CEO effective September 3, 2013 in order to avoid the perception of any potential conflict of interest, and continued to lead the Devices & Services business as Executive Vice President, Devices & Services. For the same reason, Mr. Elop also resigned from the Nokia Board of Directors on September 3, 2013. On the same day, Risto Siilasmaa assumed the role of interim CEO role of Nokia while continuing to serve in his role as Chairman of the Nokia Board of Directors, and Timo Ihamuotila assumed the role of interim President and Chairman of the Nokia Leadership Team while also continuing to serve as Chief Financial Officer.

On April 29, 2014, Nokia announced its new strategy and consequently, changes to its leadership. Nokia Board appointed, effective as from May 1, 2014 Rajeev Suri the President and Chief Executive Officer of Nokia. His rights and responsibilities include those allotted to the President under Finnish law and he also chairs the Nokia Group Leadership Team.

Board of Directors

The members of the Board of Directors were elected at the Annual General Meeting on May 7, 2013, based on the proposal of the Board s Corporate Governance and Nomination Committee. On the same date, the Chairman and Vice Chairman, as well as the Chairmen and members of the committees of the Board, were elected from among the Board members and among the independent directors of the Board, respectively. The Committee composition and the Committee Chairman of the Corporate Governance & Nomination Committee were further changed effective from September 3, 2013 as a result of the interim governance arrangements related to the proposed Sale of the D&S Business.

The members of the Board of Directors are elected on an annual basis for a one-year term ending at the close of the next Annual General Meeting. The election is made by a simple majority of the shareholders votes cast at the Annual General Meeting.

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

Chairman Risto Siilasmaa, b. 1966

Chairman of the Board of Directors of Nokia Corporation. Interim CEO from September 3, 2013 until May 1, 2014. Board member since 2008. Chairman since 2012. Chairman of the Corporate Governance and Nomination Committee until September 3, 2013.

Master of Science (Eng.) (Helsinki University of Technology).

President and CEO of F-Secure Corporation 1988-2006.

Chairman of the Board of Directors of F-Secure Corporation. Member of the Board of Directors of Mendor Ltd. Vice Chairman of the Board of Directors of The Federation of Finnish Technology Industries. Member of the Board of Directors of The Confederation of Finnish Industries (EK). Member of the European Roundtable of Industrialists, ERT. Member of the Tsinghua SEM Advisory Board. Member of the International Business Leaders Advisory Council for the Mayor of Beijing.

	Chairman of the Board of Directors of Elisa Corporation 2008-2012.
Vice Chairman Jouko Karvinen, b. 1957	*CEO of Stora Enso Oyj. Board member since 2011. Vice Chairman since 2013. Chairman of the Audit Committee. Chairman of the Corporate Governance and Nomination Committee since September 3, 2013.*
	Master of Science (Eng.) (Tampere University of Technology).
	CEO of Philips Medical Systems Division 2002-2006. Member of Board of Management of Royal Philips Electronics 2006 and Group Management Committee 2002-2006. Holder of executive and managerial positions at ABB Group Limited from 1987, including Executive Vice President, Head of Automation Technology Products Division and Member of Group Executive Committee 2000-2002, Senior Vice President, Business Area Automation Power Products 1998-2000, Vice President, Business Unit Drives Products & Systems 1993-1998, Vice President, Power Electronics Division of ABB Drives Oy, Global AC Drives Feeder Factory and R&D Centre 1990-1993.
	Member of the Board of Directors of Aktiebolaget SKF. Member of the Board of Directors of the Finnish Forest Industries Federation and the Confederation of European Paper Industries (CEPI).
Bruce Brown, b. 1958	*Officer on Special Assignment at The Procter & Gamble Company. Board member since 2012. Member of the Personnel Committee.*
	M.B.A. (Marketing and Finance) (Xavier University). B.S. (Chemical Engineering) (Polytechnic Institute of New York University).
	Chief Technology Officer of The Procter & Gamble Company until February 1, 2014. Various executive and managerial positions in Baby Care, Feminine Care, and Beauty Care units of The Procter & Gamble Company since 1980 in the United States, Germany and Japan.
	Member of the Board of Directors of Agency for Science, Technology & Research (A*STAR). Strategy Adviser in US National Innovation. Member of the Board of Trustees of Xavier University. Chairman of the Advisory Board of MDVIP. Member of the Board of the University of Cincinnati Research Institute.
Elizabeth Doherty, b. 1957	*Independent director. Board member since May 7, 2013. Member of the Audit Committee.*
	Bachelor of Science (University of Manchester). FCMA (Fellow of the Chartered Institute of Management Accountants).

Chief Financial Officer and Executive Director of Reckitt Benckiser Group plc 2011-2013. Chief Financial Officer and Executive Director of Brambles Industries Ltd 2007-2009. Group International Finance Director of Tesco plc 2001-2007.

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Various executive and managerial positions within Unilever plc 1979-2001 including Senior Vice President Finance, Central and Eastern Europe; Commercial Director, Unilever Thai Holdings Ltd; Commercial Director, Frigo España SA; Supply Chain Manager, Mattessons Walls Ltd; and Internal Audit Manager.

Member of the Board of Directors of Dunelm Group Plc. Member of the Board of Directors of Delhaize SA.

Member of the Audit Committee and Board of Directors of SAB Miller plc 2004-2011.

Henning Kagermann, b. 1947

Board member since 2007. Chairman of the Personnel Committee. Member of the Corporate Governance and Nomination Committee.

Ph.D. (Theoretical Physics) (Technical University of Brunswick).

Co-CEO and Chairman of the Executive Board of SAP AG 2008-2009. CEO of SAP 2003-2008. Co-chairman of the Executive Board of SAP AG 1998-2003. A number of leadership positions in SAP AG since 1982. Member of SAP Executive Board 1991-2009. Taught physics and computer science at the Technical University of Brunswick and the University of Mannheim 1980-1992, became professor in 1985.

Member of the Supervisory Boards of Bayerische Motoren Werke Aktiengesellschaft (BMW AG), Deutsche Bank AG, Deutsche Post AG and Münchener Rückversicherungs-Gesellschaft AG (Munich Re). Member of the Board of Directors of Wipro Ltd. President of Deutsche Akademie der Technikwissenschaften. Member of the Honorary Senate of the Foundation Lindau Nobel prizewinners.

Helge Lund, b. 1962

President and CEO of Statoil ASA. Board member since 2011. Member of the Personnel Committee. Member of the Corporate Governance and Nomination Committee

MA in Business Economics (School of Economics and Business Administration, Bergen). Master of Business Administration (MBA) (INSEAD).

President and CEO of StatoilHydro 2007-2009. President and CEO of Statoil 2004-2007. President and CEO of Aker Kvaerner ASA 2002-2004, central managerial positions in the Aker RGI system from 1999. Prior to 1999, Deputy Managing Director of Nycomed Pharma AS, a political adviser to the Conservative Party of the parliamentary group of Norway and a consultant of McKinsey & Co.

Mårten Mickos, b. 1962

Chief Executive Officer of Eucalyptus Systems, Inc. Board member since 2012.

Master of Science (Eng.) (Helsinki University of Technology).

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	Senior Vice President, Database Group, Sun Microsystems 2008-2009. CEO, MySQL AB 2001-2008. Chairman, Vexillum Ab 2000-2001. CEO, MatchON Sports Ltd. 1999-2000. CEO, Intellitel Communications Ltd. 1997-1999.
Elizabeth Nelson, b. 1960	*Independent Corporate Advisor. Board member since 2012. Member of the Audit Committee.*
	M.B.A. (Finance) (The Wharton School, University of Pennsylvania). B.S. (Foreign Service) (Georgetown University).
	Executive Vice President and Chief Financial Officer, Macromedia, Inc. 1997-2005. Vice President, Corporate Development, Macromedia, Inc. 1996-1997. Project Manager, Corporate Development and International Finance, Hewlett-Packard Company 1988-1996. Associate, Robert Nathan Associates 1982-1986.
	Member of the Board of Directors of Pandora Media. Member of the Board of Directors of Brightcove Inc.
	Member of the Boards of Directors of Ancestry.com, Inc. 2009-2012, SuccessFactors, Inc. 2007-2012, Autodesk, Inc. 2007-2010 and CNET Networks, Inc. 2003-2008.
Kari Stadigh, b. 1955	*Group CEO and President of Sampo plc. Board member since 2011. Member of the Personnel Committee.*
	Master of Science (Eng.) (Helsinki University of Technology). Bachelor of Business Administration (Swedish School of Economics and Business Administration, Helsinki).
	Deputy CEO of Sampo plc 2001-2009. President of Sampo Life Insurance Company Limited 1999-2000. President of Nova Life Insurance Company Ltd 1996-1998. President and COO of Jaakko Pöyry Group 1991-1996.
	Member of the Board of Directors of Nordea Bank AB (publ). Chairman of the Board of Directors of If P&C Insurance Holding Ltd (publ), Kaleva Mutual Insurance Company and Mandatum Life Insurance Company Limited. Vice Chairman of the Board of Directors of the Federation of Finnish Financial Services. Member of the Board of Directors of Central Chamber of Commerce of Finland.
	Chairman of the Board of Directors of Alma Media Corporation 2005-2011. Member of the Board of Directors of Aspo Plc. 2009.

At the Annual General Meeting on May 7, 2013, Stephen Elop, then President and CEO, was elected as a member of the Board of Directors. Mr. Elop resigned from the Board of Directors effective as of September 3, 2013.

Proposal of the Corporate Governance and Nomination Committee for Composition of the Board of Directors in 2014

On April 29, 2014, the Corporate Governance and Nomination Committee announced its proposal to the Annual General Meeting convening on June 17, 2014 regarding the composition of the Board of Directors for a one-year term from the Annual General Meeting 2014 until the close of the Annual General Meeting 2015. The Committee will propose that the number of Board members be nine (9)

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and that the following current Nokia Board members be re-elected as members of the Nokia Board of Directors for a term until the close of the Annual General Meeting 2015: Bruce Brown, Elizabeth Doherty, Jouko Karvinen, Mårten Mickos, Elizabeth Nelson, Risto Siilasmaa and Kari Stadigh.

In addition, the Committee proposes that Vivek Badrinath, Deputy CEO of Accor, and Dennis Strigl, retired CEO of Verizon Wireless and Author and Consultant, be elected as members of the Nokia Board of Directors for the same term until the close of the Annual General Meeting 2015.

The Committee s aim is continually to renew the Board to ensure an efficient Board of international professionals with a diverse mix of skills and experience. The Committee considers potential director candidates based on the short-term and long-term needs of Nokia and of the Board and may engage search firms or advisors to identify director candidates. According to Nokia s Articles of Association, the Board consists of a minimum of seven and a maximum of 12 directors. Based on past experience and the current business situation at Nokia, the Committee regards nine as an appropriate number of directors for the needed diversity in experience and skills to perform the Board s work effectively.

The Chairman and the Vice Chairman are elected by the new Board and confirmed by the independent directors of the Board from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. The independent directors of the new Board will also confirm the election of the members and Chairmen for the Board s committees from among the Board s independent directors upon the recommendation of the Corporate Governance and Nomination Committee and based on each committee s member qualification standards. These elections will take place at the Board s assembly meeting following the Annual General Meeting.

On April 29, 2014, the Corporate Governance and Nomination Committee announced that it will propose in the assembly meeting of the new Board of Directors after the Annual General Meeting on June 17, 2014 that Risto Siilasmaa be elected as Chairman of the Board and Jouko Karvinen as Vice Chairman of the Board.

Nokia Group Leadership Team

According to our Articles of Association, the Nokia Group Leadership Team is responsible for the operative management of the Company. The Chairman and members of the Nokia Group Leadership Team are appointed by the Board of Directors. Only the Chairman of the Nokia Group Leadership Team, the President and CEO, can be a member of both the Board of Directors and the Nokia Group Leadership Team.

During 2013 and subsequently, the following changes took place in the Nokia Leadership Team:

Stephen Elop stepped aside as President and CEO while continuing as a member of the Nokia Leadership Team as Executive Vice President, Devices & Services, effective as of September 3, 2013. He stepped down from the Nokia Leadership Team effective as of April 25, 2014 due to transferring to Microsoft in connection with the Sale of the D&S Business.

Timo Ihamuotila served as interim President from September 3, 2013 until May 1, 2014 while also continuing to serve as Chief Financial Officer. During this interim time Mr. Ihamuotila also chaired the Nokia Leadership Team.

Marko Ahtisaari, formerly Executive Vice President, Design, stepped down from the Nokia Leadership Team effective as of November 1, 2013 and continues in transitional role until May 31, 2014.

Jo Harlow, formerly Executive Vice President, Smart Devices, stepped down from the Nokia Leadership Team effective as of April 25, 2014 due to transferring to Microsoft in connection with the Sale of the D&S Business.

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Juha Putkiranta, formerly Executive Vice President, Operations, stepped down from the Nokia Leadership Team effective as of April 25, 2014 due to transferring to Microsoft in connection with the Sale of the D&S Business.

Timo Toikkanen, formerly Executive Vice President, Mobile Phones, stepped down from the Nokia Leadership Team effective as of April 25, 2014 due to transferring to Microsoft in connection with the Sale of the D&S Business.

Chris Weber, formerly Executive Vice President, Sales and Marketing, stepped down from the Nokia Leadership Team effective as of April 25, 2014 due to transferring to Microsoft in connection with the Sale of the D&S Business.

Louise Pentland, formerly Executive Vice President, Chief Legal Officer stepped down from the Nokia Leadership Team effective as of May 1, 2014 and continues to serve Nokia in an advisory role during a transition period.

Juha Äkräs, formerly Executive Vice President, Human Resources stepped down from the Nokia Leadership Team effective as of May 1, 2014 and continues to serve Nokia in an advisory role during a transition period.

Kai Öistämö, formerly Executive Vice President, Corporate Development stepped down from the Nokia Leadership Team effective as of May 1, 2014 and continues to serve Nokia in an advisory role during a transition period.

Rajeev Suri was appointed the President and CEO of Nokia Corporation and Chairman of Nokia Group Leadership Team as from May 1, 2014.

Samih Elhagen was appointed Executive Vice President and Chief Financial and Operating Officer of Networks and member of Nokia Group Leadership Team as from May 1, 2014.

The members of the Nokia Group Leadership Team, effective as from May 1, 2014, are set forth below.

Rajeev Suri, b. 1967

President and Chief Executive Officer of Nokia. Nokia Group Leadership Team member and Chairman since 2014. Joined Nokia 1995.

Bachelor of Engineering in Electronics and Telecommunications, Manipal Institute of Technology, Mangalore University, Karnataka, India.

CEO, NSN 2009-2014. Head of Services, NSN, 2007-2009. Head of Asia Pacific, NSN, 2007. Senior Vice President Nokia Networks Asia Pacific, 2005-2007. Vice President, Hutchison Customer Business Team, Nokia Networks, 2004-2005. General Manager, Business Development, Nokia Networks Asia Pacific, 2003. Sales Director BT, O2 and Hutchison Global Customers, Nokia Networks, 2002. Director, Technology and Applications, BT Global Customer, Nokia Networks, 2000-2001. Head of Global Competitive Intelligence, Nokia Networks, 1999-2000. Head of Product Competence Center, Nokia Networks South Asia, 1997-1999. System Marketing Manager, Cellular Transmission, Nokia Networks India, 1995-1997. Head of Group Procurement, imports and special projects, Churchgate Group, Nigeria, 1993-1995. National Account Manager Transmission / Manager Strategic Planning, ICL India (ICIM), 1990-1993. Production Engineer, Calcom Electronics, 1989.

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Samih Elhage, b. 1961

Executive Vice President and Chief Financial and Operating Officer of Networks. Nokia Group Leadership Team member since 2014. Joined NSN in 2012.

Bachelor of Electrical Engineering (telecommunications), University of Ottawa, Canada. Bachelor of Economics, University of Ottawa, Canada. Master of Electrical Engineering (telecommunications), École Polytechnique de Montréal, Canada.

Chief Financial Officer, NSN, 2013-2014. Chief Operating Officer, NSN, 2012. Senior Advisor, leading private equity and global management consulting firms, 2011-2012. President, Carrier Voice over IP and Applications Solutions (CVAS) division, Nortel, 2008-2010. Leadership positions in Operations, Business Transformation, Broadband Networks, Optical Networks, and Core Data Networks, Nortel, 1998 2008. Multiple leadership and management roles related to Network Development at Bell Canada, 1990 1998.

Michael Halbherr, b. 1964

CEO of HERE. Nokia Group Leadership Team member since 2011. Joined Nokia 2006.

PhD. (Electrical Engineering) (ETH, Zurich, Switzerland). Worked at MIT Laboratory for Computer Science (Cambridge, MA, USA).

Vice President, Ovi Product Development, Nokia Services 2010-2011. Vice President, Nokia Maps, Nokia Services 2006-2010. CEO, gate5 AG, Berlin, Germany 2001-2006. Managing Director, Europeatweb, Munich, Germany 2000-2001. Manager, The Boston Consulting Group, in the USA and Switzerland 1994-2000.

Timo Ihamuotila, b. 1966

Group Chief Financial Officer. Interim President from September 3, 2013 until May 1, 2014. Nokia Group Leadership Team member since 2007. With Nokia 1993-1996, rejoined 1999.

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

Executive Vice President, Sales, Markets, Nokia 2008-2009. Executive Vice President, Sales and Portfolio Management, Mobile Phones, Nokia 2007. Senior Vice President, CDMA Business Unit, Mobile Phones, Nokia 2004-2007. Vice President, Finance, Corporate Treasurer, Nokia 2000-2004. Director, Corporate Finance, Nokia 1999-2000. Vice President of Nordic Derivatives Sales, Citibank plc. 1996-1999. Manager, Dealing & Risk Management, Nokia 1993-1996. Analyst, Assets and Liability Management, Kansallis Bank 1990-1993.

Member of the Board of Directors of Central Chamber of Commerce of Finland.

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Henry Tirri, b. 1956

Executive Vice President and acting Head of Technologies. Nokia Group Leadership Team member since 2011. Joined Nokia 2004.

Ph.D. (computer science) (University of Helsinki). Dr. h.c. (University of Tampere).

Head of Nokia Research Center (NRC), Corporate Development 2008-2011. Head of NRC Systems Research 2007-2008. Nokia Research Center, Research Fellow 2004-2007.

Adjunct Professor in computer science (University of Helsinki). Adjunct Professor in computational engineering (Aalto University, Helsinki). Adjunct Professor in Civil Engineering (University of California, Berkeley). Member of the international Advisory Committee of Tsinghua National Laboratory for Information Science and Technology.

6B. Compensation

The following section explains our compensation policies and details for both cash- and equity-based compensation as it relates to the Board of Directors and the Nokia Leadership Team which includes the six named executive officers.

Board of Directors

The table below outlines the annual compensation of the members of the Board of Directors for services on the Board and its committees, as resolved at the respective Annual General Meetings in 2013, 2012 and 2011.

Position	2013 (EUR)	2012 (EUR)	2011 (EUR)
Chairman	440 000	440 000	440 000
Vice Chairman	150 000	150 000	150 000
Member	130 000	130 000	130 000
Chairman of Audit Committee	25 000	25 000	25 000
Member of Audit Committee	10 000	10 000	10 000
Chairman of Personnel Committee	25 000	25 000	25 000
Total	1 570 000(1)(2)	1 700 000(1)	1 700 000(1)

(1) Stephen Elop stepped down from his position as President and CEO and resigned from the Board of Directors effective September 3, 2013. He did not receive compensation for his service as a member of the Board.

(2) The changes in the aggregate Board compensation year on year are due to changes in the number of Board members. The compensation paid for services rendered remained the same.

It is Nokia s policy that directors compensation consists only of an annual fee and no additional fees are paid for meeting attendance. Approximately 40% of the director compensation is paid in the form of Nokia shares that are purchased from the market or alternatively by using own shares held by the Company. The remaining compensation is paid in cash, which is typically used to cover taxes arising from the compensation. The current policy is that directors are expected to retain all Nokia shares received as compensation until the end of their Board membership (except for those shares needed to offset any costs relating to the acquisition of the shares). Non-executive directors do not participate in any of Nokia s equity programs or receive any other form of variable compensation for their duties as

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Board members. Finally, the President and CEO does not receive compensation for his services as a Board member. The former President and CEO, Stephen Elop, who stepped down from his position as President and CEO and resigned from the Board of Directors effective September 3, 2013, did not receive compensation for his services as a Board member in 2013, 2012 and 2011. The total compensation of the former President and CEO is described below in Executive Compensation Actual Executive Compensation for 2013 Summary Compensation Table 2013 .

The compensation of the Board of Directors is resolved annually by our shareholders at our Annual General Meeting. It is resolved by a majority vote of the shareholders represented at the meeting, upon the proposal of the Corporate Governance and Nomination Committee of the Board of Directors. The compensation is set as of the date of the Annual General Meeting until the close of the next Annual General Meeting.

When preparing the proposal for Board compensation for shareholders approval at the Annual General Meeting, it is the policy of the Corporate Governance and Nomination Committee to review and compare total compensation levels and their criteria paid at other global peer companies with net sales and complexity of business comparable to that of Nokia. The Corporate Governance and Nomination Committee s aim is to ensure that Nokia has an effective Board of international professionals representing a diverse mix of skills and experience. A competitive Board compensation contributes to the achievement of this target.

Compensation of the Board of Directors in 2013

For the year ended December 31, 2013, the aggregate amount of compensation paid to the members of the Board of Directors for their services as members of the Board and its committees was EUR 1 570 000.

The following table outlines the total annual compensation paid to the members of the Board of Directors in 2013, as resolved by shareholders at the Annual General Meeting on May 7, 2013. For more details on Nokia shares held by the members of the Board of Directors, please see Item 6E. Share Ownership .

	Year	Compen-sation Earned or Paid in Cash (EUR)(1)	Total (EUR)
Risto Siilasmaa, Chairman(2)	2013	440 000	440 000
Jouko Karvinen, Vice Chairman as of May 7, 2013(3)	2013	175 000	175 000
Marjorie Scardino, Vice Chairman until May 7, 2013(4)	2013		
Bruce Brown	2013	130 000	130 000
Elizabeth Doherty(5)	2013	140 000	140 000
Stephen Elop, Board Member until September 3, 2013(6)	2013		
Henning Kagermann(7)	2013	155 000	155 000
Helge Lund	2013	130 000	130 000
Isabel Marey-Semper, Board member until May 7, 2013(4)	2013		
Mårten Mickos	2013	130 000	130 000
Elizabeth Nelson(8)	2013	140 000	140 000
Kari Stadigh	2013	130 000	130 000
Total		1 570 000	1 570 000

(1) Approximately 40% of each Board member s annual compensation is paid in Nokia shares purchased from the market and the remaining approximately 60% is paid in cash. The members of

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the Board do not participate in any of Nokia s equity programs or receive any other form of variable compensation for their duties as Board members.

(2) Represents compensation paid to Risto Siilasmaa for services as the Chairman of the Board. This table does not include compensation paid to Mr. Siilasmaa for his services as the interim CEO. For the compensation paid for his services as the interim CEO, see Executive Compensation Actual Executive Compensation for 2013 Summary Compensation Table 2013 below.

(3) Represents compensation paid to Jouko Karvinen, consisting of EUR 150 000 for service as Vice Chairman of the Board and EUR 25 000 for services as the Chairman of the Audit Committee.

(4) Marjorie Scardino and Isabel Marey-Semper served on the Board until the close of the Annual General Meeting in 2013. They were not paid any compensation during fiscal year 2013, but received their compensation for the term until the close of the Annual General Meeting in 2013 in fiscal year 2012. For their compensation in 2012, see Note 31 to our consolidated financial statements included in Item 18 of this annual report.

(5) Represents compensation paid to Elizabeth Doherty, consisting of EUR 130 000 for services as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.

(6) Stephen Elop did not receive compensation for his services as a member of the Board. This table does not include compensation paid to Mr. Elop for his services as the President and CEO. For compensation paid for his service as the President and CEO, see Executive Compensation Actual Executive Compensation for 2013 Summary Compensation Table 2013 below. Mr. Elop stepped down from his position as President and CEO and resigned from the Board of Directors effective September 3, 2013.

(7) Represents compensation paid to Henning Kagermann, consisting of EUR 130 000 for services as a member of the Board and EUR 25 000 for service as the Chairman of the Personnel Committee.

(8) Represents compensation paid to Elizabeth Nelson, consisting of EUR 130 000 for services as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.

Proposal by the Corporate Governance and Nomination Committee for Compensation to the Board of Directors in 2014

On April 28, 2014, the Corporate Governance and Nomination Committee of the Board announced its proposal to the Annual General Meeting convening on June 17, 2014 regarding the remuneration to the Board of Directors in 2014. The Committee will propose that the annual fee payable to the Board members elected at the same meeting for a term until the close of the Annual General Meeting in 2015, remain at the same level as it has been for the past six years and be as follows: EUR 440 000 for the Chairman, EUR 150 000 for the Vice Chairman and EUR 130 000 for each member; for the Chairman of the Audit Committee and the Chairman of the Personnel Committee an additional annual fee of EUR 25 000, and for each member of the Audit Committee an additional annual fee of EUR 10 000.

The guiding principle of the Committee s proposal is to align the interests of the directors with those of the shareholders by remunerating directors primarily with Nokia shares that according to the current policy must be retained for the duration of the Board membership. Therefore, the Committee will propose that, as in the past, approximately 40 per cent of the remuneration be paid in Nokia shares purchased from the market or alternatively by using shares held by the company, which shares shall be retained until the end of a director s Board membership in line with the Nokia current policy (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). The rest of the remuneration would be payable in cash, most of which is typically used to covering taxes arising out of the remuneration.

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The Committee s aim is to ensure that the Company has an efficient Board of international professionals representing a diverse mix of skills and experience. A competitive Board remuneration contributes to the achievement of this target.

In determining the proposed remuneration, it is the Committee s policy to review and compare the total remuneration levels and their criteria paid in other global companies with net sales and complexity of business comparable to that of Nokia s. It is the Company s policy that the remuneration consists of an annual fee only, and that no fees for meeting attendance are paid. It is also the Company s policy that a significant portion of director compensation will be paid in the form of Company shares purchased from the market or by using shares held by the company and that each Board member shall retain, in accordance with the current policy, all Nokia shares received as director compensation until the end of his or her Board membership (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). In addition, it is the Company s policy that non-executive members of the Board do not participate in any of the Company s equity programs and do not receive stock options, performance shares, restricted shares or any other equity based or otherwise variable compensation for their duties as Board members.

Executive Compensation

The sections below describe our executive compensation philosophy, the design of our compensation programs and the factors considered during the decision-making process. One of the underlying principles of our compensation philosophy and our compensation program design is that a significant portion of an executive s total compensation is tied to the company s performance and be aligned with the value delivered to shareholders. Of the 2013 total compensation for Stephen Elop, the President and CEO until September 3, 2013, 88% of his compensation was tied to the company s performance. The amount of compensation tied to the company s performance for the other members of the Nokia Leadership Team for 2013 ranged from 71% to 80%. Our programs are designed so that this portion of compensation is earned and delivered only when results warrant. In 2013, we acquired the full ownership of Networks (previously called Nokia Solutions and Networks), and the three business continuing with Nokia after the Sale of D&S Business were profitable. However, we did not achieve all of our targets due to losses sustained in the Devices & Services business. As a result, some members of the Nokia Leadership Team did not realize significant elements of their total compensation in 2013. There were no payments under the vested Performance Share Plan to any Nokia Leadership Team members and some did not receive annual short-term variable incentive.

Executive Compensation Philosophy, Programs and Decision-Making Process

The basic principles of our executive compensation philosophy is to attract, retain and motivate talented executive officers globally with the right mix of skills and capabilities to drive Nokia s success in an extremely complex and rapidly evolving mobile communications industry. To achieve this, we have developed an overall compensation framework that provides competitive base pay rates combined with short- and long-term incentives or compensation that are intended to result in a competitive total compensation package.

Our executive compensation programs are designed to support Nokia in the execution of the corporate strategy. Specifically, our programs are designed to:

- incorporate specific performance measures that align directly with the execution of our strategy;
- deliver an appropriate amount of performance-related variable compensation for the achievement of strategic goals and financial targets in both the short- and long-term;
- appropriately balance rewards between Nokia s and an individual s performance; and

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foster an ownership culture that promotes sustainability and long-term value creation and align the interests of the named executive officers with those of the shareholders through long-term equity-based incentives.

The competitiveness of Nokia s executive compensation program is one of several key factors that the Personnel Committee of the Board considers in its determination of compensation for the Nokia Group Leadership Team, which includes the named executive officers. The Personnel Committee compares, on an annual basis, Nokia s compensation practices, base salaries and total compensation, including short- and long-term incentives against those of other relevant companies with the same or similar revenue, size, global reach and complexity that we believe we compete against for executive talent. For 2013, the peer group included companies in high technology, telecommunications and Internet services industries, as well as companies from other industries that are headquartered in Europe and the United States. The peer group is determined by the Personnel Committee and reviewed for appropriateness from time to time as deemed necessary to keep abreast of changes in the business environment or industry.

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

The Personnel Committee reviews the Nokia Group Leadership Team s compensation on an annual basis, and from time to time during the year when special needs arise. Without management present, the Personnel Committee evaluates the performance of the President and CEO against previously established goals and objectives, recommends corporate goals and objectives for the coming year and proposes to the Board the compensation level of the President and CEO. All compensation for the President and CEO, including long-term equity incentives, is approved by the Board and is confirmed by the independent members of the Board. Management s role is to provide any information requested by the Personnel Committee to assist in their deliberations.

Upon the recommendation of the President and CEO, the Personnel Committee also approves all compensation, including long-term equity incentives and goals and objectives relevant to compensation for all members of the Nokia Group Leadership Team (other than the President and CEO) and other executive level direct reports to the President and CEO. Additionally, the Personnel Committee approves annual short-term incentive payments and reviews the results of performance evaluation of Nokia Group Leadership Team members (excluding the President and CEO) and other executive level direct reports to the President and CEO.

The Personnel Committee considers the following factors, among others, when determining the compensation of the Nokia Group Leadership Team or recommending the compensation of the President and CEO to the Board:

the compensation levels for similar positions (in terms of scope of position, revenues, number of employees, global responsibility and reporting relationships) in relevant comparison companies;

the performance demonstrated by the executive officer during the last year, which is evaluated at the end of the year against individual goals that are aligned to Nokia-level financial and strategic goals and against the executive officer s overall leadership capabilities;

- the size and impact of the particular officer s role on Nokia s overall performance and strategic direction;
- the internal comparison to the compensation levels of the other executive officers of Nokia;
- past experience and tenure in role; and
- the potential and expected future contributions of the executive.

The above factors are assessed by the Personnel Committee in totality.

In 2011, Nokia s management performed an internal risk assessment of Nokia s compensation policies and practices for all its employees specifically to understand any potential risk factors that would be associated with the changes made to Nokia s compensation programs in 2011 in alignment with our strategy. Management assessed such factors as Nokia s proportion of fixed compensation in relation to variable compensation, the caps on incentive compensation that can be earned under our plans, performance metrics tied to the incentive programs and the time horizon over which variable compensation may be earned, as well as Nokia s share ownership, severance and recoupment policies and our overall governance structure and practices. Based on the assessment, management concluded that there were no material risks arising from Nokia s compensation programs, policies and practices or the changes implemented that are likely to have a material adverse effect on Nokia. The findings of the analysis were reported to the Personnel Committee. A similar assessment was not conducted in 2013 as the 2011 assessment considered changes in our programs that were being implemented in 2013. In 2014 a full risk assessment will be conducted based on Nokia s new strategy.

Components of Executive Compensation

Our compensation program for Nokia Group Leadership Team members includes annual cash compensation in the form of a base salary and short-term variable cash incentives, as well as long-term equity-based incentives in the form of performance shares, stock options and restricted shares.

Annual Cash Compensation

Base salaries are targeted at globally competitive market levels. The Personnel Committee evaluates and weighs as a whole the appropriate base salary levels based on both our European and US peer companies.

Short-term cash incentives are an important element of our variable compensation programs and are tied directly to Nokia-level financial and strategic goals that are shared by the Nokia Group Leadership Team. The annual short-term variable cash incentive is expressed as a percentage of Nokia Group Leadership Team member s annual base salary. These award and measurement criteria are presented in the table below.

Annual short-term variable incentives are normally determined for the Nokia Group Leadership Team based on their performance as a team. We began 2013 with a team scorecard made up of Nokia financial and strategic targets. As a result of the Sale of D&S Business to Microsoft, in the second half of 2013, the team scorecard was modified to include individual targets related to the Sale of D&S Business for some Nokia Leadership Team members. Some members of the Nokia Leadership Team also have an objective based on relative Total Shareholder Return. For 2013, the payment with respect to relative Total Shareholder Return is based on the Personnel Committee s assessment of Nokia s total shareholder return compared to key peer group companies that are selected by the Personnel Committee in the high technology, Internet services and telecommunications industries and relevant market indices over one, three and five year periods.

Annual short-term variable incentives, goals and underlying targets require the full Board s approval for the President and CEO and the Personnel Committee s approval for the other members of the Nokia Group Leadership Team.

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The below table outlines the measurement criteria that were established for the President and CEO and members of the Nokia Leadership Team for the year 2013. The annual short-term incentive payout is based on performance relative to targets set for each measurement criteria listed in the table.

Short-Term Incentive as a % of Annual Base Salary in 2013

Position	Minimum Performance	Target Performance	Maximum Performance	Measurement Criteria
President and CEO	0%	125%	250%	*Key financial targets*[1] (including gross profit, OPEX and net cash flow); and
Nokia Leadership Team	0%	75%	150%	*Strategic objectives*[1] (including targets for performance of Nokia s product and service portfolio); and Individual objectives (includes targets relating to the transition of the Devices & Services Business to Microsoft)
Certain Nokia Leadership Team members (in addition to above)	0%	25%	50%	*Total Shareholder Return*[2] (comparison made with key competitors in the high technology, telecommunications and Internet services industries over one-, three- and five-year periods)

(1) One Nokia Leadership Team member s incentive structure is also tied to specific sales and gross margin targets in addition to the key financial targets and strategic objectives.

(2) Total Shareholder Return reflects the change in Nokia s share price during an established time period, including the amount of dividends paid, divided by Nokia s share price at the beginning of the period. The calculation is conducted in the same manner for each company in the peer group. Only some members of the Nokia Leadership Team are eligible for the additional Total Shareholder Return element.

Annual short-term variable incentive compensation under the Nokia short-term cash incentive program is paid once per year based on pre-determined Nokia performance criteria assessed as of December 31. To determine annual short-term variable incentive pay-out under the Nokia short-term cash incentive program, the Personnel Committee approved incentive goals are evaluated against pre-defined achievement criteria. The resulting scores are then calculated against each executive s individual incentive target to ascertain an individual pay-out percent. The executive s annual base salary is then multiplied by the pay-out percent to determine the pay-out amount. The achievement scores and individual pay-out percent and amount is presented to the Personnel Committee for approval. In the event the achievement criteria is not met, the actual short-term variable incentive awarded to the executive officer can be zero. The maximum payout is only possible with maximum performance on all measures.

For fiscal year 2013, the annual short-term incentive plan pay-out was in accordance with achievement against the incentive criteria. Other short-term variable incentive payments were made to Nokia Leadership Team members for specific achievements during the year.

For more information on the actual cash compensation paid in 2013 to our named executive officers, see Actual Executive Compensation for 2013 Summary Compensation Table 2013 below.

Long-Term Equity-Based Incentives

In 2013, long-term equity-based incentives in the form of performance shares, stock options and restricted shares were used to align the Nokia Leadership Team members interests with shareholders interests, reward for long-term financial performance and encourage retention, while also considering evolving regulatory requirements and recommendations and changing economic conditions. These awards were determined on the basis of the factors discussed above in Executive Compensation Philosophy, Programs and Decision-making Process , including the comparison of a Nokia Leadership Team member s overall compensation with that of other similarly-situated executives in the relevant market and the competitiveness of the executive s compensation package in that market. In 2013, performance shares would have settled as Nokia shares if at least one of the pre-determined threshold performance levels, tied to Nokia s financial performance, had been achieved by the end of the performance period. The value the executive would have received was dependent on Nokia s share price. Stock options were granted with the purpose of creating value for the Nokia Leadership Team member, once vested, only if the Nokia share price at the time of vesting is higher than the exercise price of the stock option established at grant. This has also been intended to focus executives on share price appreciation, thus aligning the interests of the executives with those of shareholders. Restricted shares were used primarily for long-term retention purposes for executives deemed critical for the future success of Nokia, as well as to support attraction of promising external talent in a competitive environment in which Nokia competes, namely in the United States where restricted shares are commonly used. Any shares granted are subject to the share ownership guidelines as explained below. All equity-based incentives are generally forfeited if the executive leaves Nokia prior to their vesting.

Recoupment of certain equity gains

The Board of Directors has approved a policy allowing for the recoupment of equity gains realized by Nokia Group Leadership Team members under Nokia equity plans in case of a financial restatement caused by an act of fraud or intentional misconduct. This policy applies to equity grants made to Nokia Group Leadership Team members after January 1, 2010.

Information on the actual equity-based incentives granted to the members of our Nokia Group Leadership Team in 2013 is included in Item 6E. Share Ownership .

Share Ownership Guidelines for Executive Management

One of the main goals of our long-term equity-based incentive program is to focus executives on promoting the long-term value sustainability of the company and building value for shareholders on a long-term basis. In addition to granting equity, we encourage stock ownership by our top executives and have stock ownership commitment guidelines with minimum recommendations tied to annual base salaries. For the President and CEO, the recommended minimum investment in Nokia shares corresponds to three times his annual base salary and for members of the Nokia Group Leadership Team two times annual base salary. To meet this requirement, all members of the Nokia Group Leadership Team are expected to retain 50% of any after-tax gains from equity programs in shares until the minimum investment level is met. The Personnel Committee regularly monitors the compliance by the executives with the stock ownership guidelines.

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Insider Trading in Securities

The Board of Directors has established a policy in respect of insiders trading in Nokia securities. The members of the Board and the Nokia Group Leadership Team are considered primary insiders. Under the policy, the holdings of Nokia securities by the primary insiders are public information and are available on our website and at Euroclear Finland Ltd. Both primary insiders and secondary insiders (as defined in the policy) are subject to a number of trading restrictions and rules, including, among other things, prohibitions on trading in Nokia securities during the four-week closed-window period immediately preceding the release of our interim and annual results including the day of the release. Nokia also sets trading restrictions based on participation in projects. We update our insider trading policy from time to time and provide training to ensure compliance with the policy. Nokia s insider policy is in line with the NASDAQ OMX Helsinki Guidelines for Insiders and also sets requirements beyond those guidelines.

Executive Compensation

Service Contract of Stephen Elop due to his President and CEO role

Stephen Elop s employment contract, dated September 21, 2010, covered his position as President and CEO. The agreement provided for an annually adjusted base salary (EUR 1 106 469 for 2013) and an annual management incentive target under the Nokia short-term cash incentive program of 150% of annual base salary. Mr. Elop was entitled to the benefits in line with our policies applicable to the Nokia Leadership Team, however, some of his benefits were being provided on a tax-assisted basis.

Mr. Elop s employment contract was amended effective as of September 3, 2013, as a result of entering into a transaction with Microsoft for the Sale of D&S Business. Under the terms of the amendment, Mr. Elop resigned from his position as President and CEO as of September 3, 2013 and assumed the role of Executive Vice President, Devices & Services. He also resigned from his position as a member of Board of Directors as of the same date. After the closing of the Sale of D&S Business, he transferred to Microsoft as agreed with Microsoft. In accordance with his service contract, he received a severance payment of EUR 24.2 million in total. This amount included: base salary and management incentive EUR 4.1 million, and value of equity awards EUR 20.1 million. The amount of the equity awards was based on the Nokia closing share price of EUR 5.28 per share at NASDAQ OMX Helsinki on April 24, 2014. Pursuant to the terms of the purchase agreement with Microsoft entered into in connection with the Sale of D&S Business, 70% of the total severance payment was borne by Microsoft and the remaining 30% of the severance amount (EUR 7.3 million) was borne by Nokia.

Mr. Elop is subject to a covenant restricting him from working for specified competitors of Nokia for 12 months following the termination of his contract with Nokia. Nokia waived his competition restriction with respect to Microsoft only in connection with amending his service contract in September 2013.

For information about the compensation and benefits received by Mr. Elop during 2013, see Item 6B. Compensation Executive Compensation Summary Compensation Table 2013 and Compensation Executive Compensation Equity Grants in 2013.

Interim governance

On September 3, 2013, Nokia announced changes to its leadership as a result of the proposed Sale of D&S Business to Microsoft. These changes were to ensure appropriate corporate governance structure during the interim period following the announcement until the consummation of the transaction. In order to avoid the perception of any potential conflict of interest, Stephen Elop, who agreed to transfer to Microsoft upon the closing of the transaction, continued to lead the Devices & Services business, but resigned from his position as President and CEO and member of the Board of Directors as of September 3, 2013.

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On the same date, Risto Siilasmaa assumed the role of interim CEO of Nokia while continuing to serve in his role as Chairman of the Nokia Board of Directors, and Timo Ihamuotila assumed the role of interim President and Chairman of the Nokia Leadership Team while also continuing to serve as Chief Financial Officer.

The above mentioned interim roles ended effective as from May 1, 2014, as a result of Nokia announcing its new strategy and changes to its leadership. Nokia Board appointed, effective from May 1, 2014 Rajeev Suri as the President and CEO of Nokia. He also chairs the Nokia Group Leadership Team.

Additional Compensation for Chairman of the Board Risto Siilasmaa due to his interim CEO role

As a result of entering into the Sale of D&S Business, Risto Siilasmaa assumed additional responsibilities as interim CEO from September 3, 2013, through April 30, 2014 in addition to his role as the Chairman of the Board of Nokia. As compensation for these additional responsibilities, he received a total amount of EUR 500 000. In order to reinforce the alignment of his interests with those of shareholders, 40% of this amount was delivered to him in Nokia shares bought on the open market. The remaining 60% was paid in cash, most of which was used to cover the estimated associated taxes. In recognition of Mr. Siilasmaa performance in his role as interim CEO, the Board of Directors approved on January 22, 2014, an additional award of 200,000 Nokia shares (gross, i.e. deducted by applicable taxes) to be purchased for Mr. Siilasmaa from the market during an open insider window period. Mr. Siilasmaa is to retain the net amount of shares delivered to him as stipulated for the Board members.

Executive agreement of Timo Ihamuotila due to his interim President role

Mr. Ihamuotila s executive agreement covers his position as Executive Vice President and Chief Financial Officer. In addition to his responsibilities as Chief Financial Officer of Nokia, Timo Ihamuotila assumed additional responsibilities as interim President and Chairman of the Nokia Leadership Team, from September 3, 2013, through April 30, 2014. In recognition of these additional responsibilities, Mr. Ihamuotila received EUR 250 000 paid in five monthly installments of EUR 50 000 each commencing in October 2013. In addition, Mr. Ihamuotila received an equity grant with an approximate aggregate grant date value of EUR 250 000 in the form of stock options and restricted shares. These grants are subject to the plans standard terms and conditions and vesting schedules as described in the Equity-Based Incentive Programs section below.

No changes were made to his compensation as a result of his additional responsibilities as Interim President, other than as described above. His annual base salary for 2013 was EUR 579 579. His annual management incentive target under the Nokia short-term cash incentive program is 100% of annual base salary. He is eligible to participate in Nokia s long-term equity-based incentive programs according to Nokia policies and guidelines and as determined by the Board of Directors. Mr. Ihamuotila is also entitled to benefits in line with our policies applicable to the Nokia Group Leadership Team.

In case of termination by Nokia for reasons other than cause, Mr. Ihamuotila is entitled to a severance payment of up to 18 months of compensation inclusive of annual base salary, annual management incentive at target and benefits. Additionally, a pro-rated portion of all unvested performance shares, restricted shares and stock options would have been treated as vested until March 25, 2014. On March 25, 2014, the Personnel Committee approved an amendment to Mr. Ihamuotila s executive agreement which replaced the above described pro-rated vesting of unvested equity with a full acceleration of unvested equity incentive grants awarded as at March 25, 2014. For equity grants awarded after March 25, 2014, neither the pro-rated vesting nor accelerated vesting treatment will apply. In case of termination by Nokia for cause, Mr. Ihamuotila will not be entitled to any notice period or additional compensation and all his equity will be forfeited. In case of termination by Mr. Ihamuotila for cause, he is entitled to a severance payment equivalent of up to 18 months compensation inclusive of annual base salary, annual management incentive at target and benefits. In case of termination by

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Mr. Ihamuotila, the notice period is six months and he is entitled to a payment for such notice period inclusive of annual base salary, annual management incentive at target and benefits for six months. All unvested equity will be forfeited.

Mr. Ihamuotila is subject to a 12-month non-competition obligation after termination of his contract. Unless the contract is terminated by Nokia for cause, Mr. Ihamuotila may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual base salary and management incentive at target for the respective period during which no severance payment is paid.

In the event of a change of control of Nokia, Mr. Ihamuotila will be treated in accordance with his change of control agreement as described below in *Employment Arrangements with the Nokia Group Leadership Team* .

Service contract of President and CEO Rajeev Suri, effective from May 1, 2014

On April 28, 2014 the Nokia Board of Directors resolved to appoint Mr. Rajeev Suri as Nokia s President and CEO effective from May 1, 2014. Pursuant to a new service contract Mr. Suri s annual base salary, which is subject to annual review by the Board of Directors and confirmation by the independent members of the Board, is EUR 1 000 000 and his incentive target under the Nokia short-term cash incentive plan is125% of annual base salary. Mr. Suri is entitled to the customary benefits in line with our policies applicable to the senior executives, however, some of the benefits are being provided to him on a tax assisted basis. Mr. Suri is also eligible to participate in Nokia Group s long-term equity based compensation programs in accordance with Nokia policies and guidelines and as determined by the Board of Directors. In 2014, Mr. Suri will receive an annual Nokia equity grant of 475,000 Peformance Shares plus a one-time discretionary grant of 175,000 Performance Shares.

Mr. Suri s service contract may be terminated as follows:

Termination by Nokia for reasons other than cause. In the event of a termination by Nokia for reasons other than cause, Mr. Suri is entitled to a severance payment equaling up to18 months of compensation (including annual base salary, benefits, and target incentive), and his unvested equity awards will be forfeited.

Termination by Nokia for cause. In the event of a termination by Nokia for cause, Mr. Suri is entitled to no additional compensation and all his unvested equity awards will be forfeited.

Termination by Mr. Suri for any reason. Mr. Suri may terminate his service contract at any time with six months prior notice. Nokia may choose to pay a lump sum payment in lieu of his service during the notice period or ask Mr. Suri to continue his service through all or part of this notice period. In either event, Mr. Suri is entitled to six months compensation (including annual base salary, benefits, and target incentive), and his unvested equity awards will be forfeited.

Termination by Mr. Suri for Nokia s material breach of the service contract. In the event that Mr. Suri terminates his service contract based on a final arbitration award demonstrating Nokia s material breach of the service contract, he is entitled to a severance payment equaling to up to 18 months of compensation (including annual base salary, benefits, and target incentive), and all his unvested equity awards will be forfeited.

Termination based on specified events. Mr. Suri s service contract includes special severance provisions on a termination following change of control events. These change of control provisions are based on a double trigger structure, which means that both a change of control event and the

termination of the individual s employment within a defined period of time must take place for any change of control based severance payment to become due. More specifically, if a change of control event, as defined in the service contract, has occurred, and Mr. Suri s service with the company is terminated either by Nokia or its successor without cause, or by Mr. Suri for good reason , in either case within 18 months from such change of control event, Mr. Suri will be entitled to a severance payment equaling to up to 18 months of compensation (including annual base salary, benefits, and target incentive) and cash payment(or payments) for the pro-rated value of his outstanding unvested equity awards, including equity awards under the NSN Equity Incentive Plan, restricted shares, performance shares and stock options (if any), payable pursuant to the terms of the service contract. Good reasons referred to above include a material reduction of Mr Suri s compensation and a material reduction of his duties and responsibilities, as definedin the service contract and as determined by the Board of Directors.

In addition, the service contract defines a specific, limited termination event that applies until June 30, 2016. Upon this event, if. Mr. Suri s service with Nokia is terminated as a result of the circumstances specified in the service contract, he is entitled to, in addition to normal severance payment payable upon his termination by Nokia for reasons other than cause, to a pro-rated value of unvested equity awards under the NSN Equity Incentive Plan, provided that the termination of his service takes place within six months from the defined termination event (and on or before June 30, 2016). Subject to this limited time treatment of unvested equity awards under the NSN Executive Incentive Plan, all of Mr. Suri s other unvested equity will be forfeited.

Subject to his continued employment, Mr. Suri is also expected to receive payments in the future pursuant to options granted under the NSN Equity Incentive Plan. This plan was established in 2012 prior to Nokia s acquisition of full ownership of NSN. The plan had two objectives: (1) increasing the value of NSN and (2) creating incentives relating to an exit option for its parent companies. With the significantly improved performance of NSN, the first objective has been met. The second objective has not occurred and given the change in Nokia s strategy, the likelihood of a sale or IPO has reduced. Accordingly, the value of the payouts under the NSN Equity Incentive Plan are expected to be reduced by 50%.

The actual payments, if any, under the NSN Equity Incentive Plan will be determined based on the value of the Networks business and could ultimately decline to zero if the value of the business falls below a certain level. There is also a cap that limits the upside for all plan participants, and if an IPO or sale has not occurred, the maximum total payment to Mr. Suri pursuant to the plan would be limited to EUR 10.8 million. In the unlikely event of an IPO or exit event the value of the options could exceed this maximum.

These equity awards were originally intended to vest upon the sale or IPO of NSN, or upon the fourth anniversary of the grant date. Given the change in Nokia s strategy and the significant improvement in the performance of NSN, the Nokia Board of Directors has determined that 30% of the options will vest on the third anniversary of grant (June 21, 2015) and 70% will continue to vest on the fourth anniversary of grant (June 21, 2016).

Mr. Suri is subject to a 12-month non-competition obligation that applies after the termination of the service contract or the date when he is released from his obligations and responsibilities, whichever occurs earlier.

Executive Arrangements with the Leadership Team

Nokia has entered into executive agreements with all members of the Nokia Leadership Team (valid through April 30, 2014) and the Nokia Group Leadership Team (valid as from May 1, 2014). The below

description of executive arrangements refers to Nokia Group Leadership Team but is valid for both the old (Nokia Leadership Team) and new leadership team (Nokia Group Leadership Team) , unless otherwise specifically mentioned. The contracts of Mr. Elop, Mr. Ihamuotila and Mr. Suri are described above.

Under the terms of their executive agreements with Nokia, Nokia Group Leadership Team members are entitled to a severance payment of up to 12 months of compensation inclusive of annual base salary, management incentive at target under the Nokia short-term cash incentive program and benefits.

In case of termination by a Nokia Group Leadership Team member, the notice period is six months and such member is entitled to a payment for such notice period inclusive of annual base salary, annual management incentive at target and benefits. All equity will be forfeited. In case of termination by Nokia for cause, Nokia Group Leadership Team member will not be entitled to any notice period or additional compensation and all equity will be forfeited. In case of termination by the Nokia Group Leadership Team member for cause, such member is entitled to a severance payment equivalent of up to 12 months compensation inclusive of annual base salary, annual management incentive at target and benefits. Nokia Group Leadership Team members are subject to a 12-month non-competition obligation after termination of the contract. Unless the contract is terminated by Nokia for cause, the Nokia Group Leadership Team member may be entitled to compensation during the non-competition period or a part of it. Such compensation amounts to the annual base salary and annual management incentive at target for the respective period during which no severance payment is paid.

The Nokia Group Leadership Team members have change of control agreements with Nokia, which serve as an addendum to their executive agreements. These change of control agreements are based on a double trigger structure, which means that both the change of control event and the termination of the individual s employment must take place for any change of control based severance payment to materialize. More specifically, if a change of control event, as defined in the agreement, has occurred in the company, and the individual s employment with the company is terminated either by Nokia or its successor without cause, or by the individual for good reason (for example, material reduction of duties and responsibilities), in either case within 18 months from such change of control event, the individual will be entitled to his or her notice period compensation (including base salary, benefits, and target incentive) and cash payment (or payments) for the pro-rated value of the individual s outstanding unvested equity, including restricted shares, performance shares, stock options and equity awards under NSN Equity Incentive Plan, payable pursuant to the terms of the agreement. The Board of Directors has the full discretion to terminate or amend the change of control agreements at any time.

Pension Arrangements for the Members of the Nokia Group Leadership Team

The members of the Nokia Group Leadership Team participate in the local retirement programs applicable to employees in the country where they reside. This applies also to Mr. Elop, the former President and CEO, and Mr. Suri, the President and CEO as from May 1, 2014, who are not entitled to any extraordinary pension arrangements. Executives in Finland, including Mr. Elop and Mr. Suri participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings according to prescribed statutory rules. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, although gains realized from equity are not. Retirement benefits are available from age 63 to 68, according to an increasing scale. The Nokia Group Leadership Team members in the United States participate in Nokia s US Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer s match vests for the participants during each year of the first four years of their employment. The Nokia Group Leadership Team members in Germany participate in the Nokia

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German Pension Plan that is 100% company funded. Contributions are based on pensionable earnings, the pension table and retirement age. For the Nokia Group Leadership Team members in UK, the pension accrued in the UK Pension Scheme is a Money Purchase benefit. Contributions are paid into the UK Pension Scheme by both the member and employer. These contributions are held within the UK Pension Scheme and are invested in funds selected by the member.

Actual Compensation for the Members of the Nokia Leadership Team in 2013

At December 31, 2013, The Nokia Leadership Team consisted of 11 members. Changes in the composition of the Nokia Leadership Team during 2013 and subsequently are explained above in Item 6A. Directors and Senior Management Nokia Leadership Team .

The following tables summarize the aggregate cash compensation paid and the long-term equity-based incentives granted to the members of the Nokia Leadership Team under our equity plans in 2013.

Gains realized upon exercise of stock options and share-based incentive grants vested for the members of the Nokia Leadership Team during 2013 are included in Item 6E. Share Ownership .

Aggregate Cash Compensation to the Nokia Leadership Team for 2013[1]

Year	Number of Members on December 31, 2013	Base Salaries (EUR)	Cash Incentive Payments (EUR)
2013	11	6 305 269	2 855 579

(1) Includes base salary and short-term cash incentives paid or payable by Nokia for fiscal year 2013. The short-term cash incentives include annual short-term cash incentives that are paid as a percentage of annual base salary and/or variable spot compensation paid for specific achievements during the year.

(2) Includes Marko Ahtisaari for the period until October 31, 2013, EUR 370 973 for annual base salary as a Nokia Leadership Team member and zero short-term cash incentive payment.

Long-Term Equity-Based Incentives Granted in 2013[1]

	Nokia Leadership Team[3][4]	Total	Total number of participants
Performance Shares at Threshold[2]	1 537 500	6 696 241	3 580
Stock Options	5 150 000	8 334 200	140
Restricted Shares	1 970 000	12 347 931	3 600

(1) The equity-based incentive grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting. The settlement is conditional upon performance and/or service conditions, as determined in the relevant plan rules. For a description of our equity plans, see Note 25 to our consolidated financial statements included in Item 18 of this annual report.

(2) For performance shares granted under Nokia Performance Share Plans, at maximum performance, the settlement amounts to four times the number at threshold.

(3) Includes Marko Ahtisaari for the period until October 31, 2013.

(4) For the Nokia Leadership Team member whose employment terminated during 2013, the long-term equity-based Incentives were forfeited following termination of employment in accordance with plan rules.

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A significant portion of equity grants presented in the below Summary Compensation Table to the named executive officers are tied to the performance of the company and aligned with the value delivered to shareholders. Therefore, the amounts shown are not representative of the amounts that will actually be earned and paid out to each named executive officer (but rather the accounting grant date fair value of each applicable grant, which is required to be reported in the Summary Compensation Table). In fact, for each of the years reported, the compensation realized by each named executive officer is lower than the amount required to be reported in the Summary Compensation Table.

Summary Compensation Table 2013

Name and Principal Position[(1)]	Year	Salary (EUR)	Variable Compensation[(2)] (EUR)	Stock Awards[(3)] (EUR)	Option Awards[(3)] (EUR)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[(4)] (EUR)	All Other Compensation (EUR)	Total (EUR)
Stephen Elop, EVP Devices & Services, former President and CEO	2013	1 105 171	769 217	5 385 660	2 197 691	75 554	121 765[(5)]	9 655 059
	2012	1 079 500	0	2 631 400	497 350	56 776	69 395	4 334 421
	2011	1 020 000	473 070	3 752 396	539 443	73 956	2 085 948	7 944 813
Risto Siilasmaa Chairman of the Board of Directors, Interim CEO	2013	0	0	0		0	500 000[(6)]	500 000
Timo Ihamuotila EVP, Chief Financial Officer, Interim President	2013	578 899	628 909	1 136 530	547 748	160 630	314 066[(7)]	3 366 782
	2012	570 690	57 750	539 300	106 575	262 183	40 146	1 576 644
	2011	550 000	173 924	479 493	185 448	150 311	8 743	1 547 919
Louise Pentland[(8)] EVP, Chief Legal Officer	2013	441 499	476 027	905 120	427 329		9 324[(9)(10)]	2 259 299
	2012	466 653	46 321	407 730	81 708		22 761	1 025 173
Michael Halbherr EVP, HERE	2013	440 375	206 426	990 280	451 748		89 849[(11)]	2 178 678
	2012	411 531	44 038	539 300	106 575		61 477	1 162 921
Jo Harlow[(8)] EVP, Smart Devices	2013	533 436	0	990 280	451 748		62 415[(12)]	2 037 879
	2012	555 296	55 494	539 300	106 575		58 732	1 315 397

(1) The positions set forth in this table are the positions of the named executive officers as of December 31, 2013.

(2) The amount consists of the annual short term variable compensation and/or other incentives earned and paid or payable by Nokia for the respective fiscal year. The amount above is inclusive of any discretionary variable spot compensation earned by active Nokia Leadership Team members for specific contributions during the year.

(3) Amounts shown represent the grant date fair value of equity grants awarded for the respective fiscal year. The fair value of stock options equals the estimated fair value on the grant date, calculated using the Black-Scholes model.

The fair value of performance shares and restricted shares equals the estimated fair value on grant date. The estimated fair value is based on the grant date market price of a Nokia share less the present value of dividends expected to be paid during the vesting period. The value of the performance shares is presented on the basis of granted number of shares, which is two times the number of shares at threshold.

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The value of the stock awards with performance shares valued at maximum (four times the number of shares at threshold), for each of the named executive officers, is as follows:

Mr. Elop EUR 8 670 660; Mr. Ihamuotila EUR 1 778 930; and Ms. Pentland EUR 1 489 120; Mr. Halbherr EUR 1 632 680 and Ms. Harlow EUR 1 632 680.

(4) The change in pension value represents the proportionate change in the liability related to the individual executives. These executives are covered by the Finnish State employees pension act (TyEL) that provides for a retirement benefit based on years of service and earnings according to the prescribed statutory system. The TyEL system is a partly funded and a partly pooled pay as you go system. Effective March 1, 2008, Nokia transferred its TyEL pension liability and assets to an external Finnish insurance company and no longer carries the liability on its financial statements. The figures shown represent only the change in liability for the funded portion. The method used to derive the actuarial IFRS valuation is based upon available salary information at the respective year end. Actuarial assumptions including salary increases and inflation have been determined to arrive at the valuation at the respective year end.

(5) All other compensation for Mr. Elop in 2013 includes: EUR 66 913 for tax services for fiscal years 2011, 2012 and 2013; housing of EUR 40 131; EUR 9 600 for participation in a health assessment and leadership performance program; home security EUR 1 249; and EUR 3 873 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone and driver.

(6) All other compensation for Mr. Siilasmaa in 2013 includes: EUR 500 000 as compensation for his additional responsibilities as Interim CEO, 40% of this amount was delivered to him in shares bought on the open market. The remaining 60% was paid in cash, most of which was used to cover the estimated associated taxes. The table does not include the compensation he is paid for his role as Chairman of the Board of Directors.

(7) All other compensation for Mr. Ihamuotila in 2013 includes: EUR 11 220 for car allowance;
EUR 43 896 for security and EUR 2 200 taxable benefit for premiums paid under supplemental medical and disability insurance and for mobile phone and driver; EUR 6 750 for participation in a health assessment and leadership performance program. In recognition of additional responsibilities for his role as acting President, Mr. Ihamuotila received EUR 250 000 cash paid in 5 installments starting in October 2013, resulting in EUR 150 000 being paid in 2013 and EUR 100 000 being paid in 2014. Additionally, he received an equity grant value EUR 242 250 (included in the stock award and stock options columns) which will vest in accordance with normal plan rules.

(8) Salaries, benefits and perquisites for Ms. Harlow and Ms. Pentland were paid and denominated in GBP and USD, respectively. Amounts were converted using year-end 2013 USD/EUR exchange rate of 1.37 and GPB/EUR rate of 0.85. For year 2012 disclosure, amounts were converted using year-end 2012 USD/EUR exchange rate of 1.28 and GPB/EUR exchange rate of 0.85. For year 2011 disclosure, amounts were converted using year-end 2011 USD/EUR and GPB/EUR exchange rate of 1.35 and 0.86, respectively.

(9) Ms. Pentland participated in Nokia s U.S Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer s match vests for the participants during each of the first four years of their employment. Participants earning in excess of the Internal Revenue Service (IRS) eligible earning limits may participate in the Nokia Restoration and deferral Plan, which allows employees to defer up to 50% of their salary and 100% of their short-term variable incentive. Contributions to the Restoration and Deferral Plan are matched 100% up to 8% of eligible earnings, less contributions made to the 401(k) plan. The company s contributions to the plan are included under All Other Compensation Column and noted hereafter.

(10) All other compensation for Ms. Pentland in 2013 includes: EUR 9 324 company contributions to the 401(k) Plan and EUR 530 provided under Nokia s international assignment policy in the UK.

(11) All other compensation for Mr. Halbherr in 2013 includes: EUR 69 747 company contributions to the German Pension Plan and EUR 13 352 for car, fuel, account maintenance and health insurance and EUR 6 750 for participation in a health assessment and leadership performance program.

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(12) All other compensation for Ms. Harlow in 2013 includes: EUR 44 318 company s contributions to the UK Pension Plan; EUR 9 541 for car and fuel and EUR 691 for health insurance; EUR 1 114 service award and EUR 6 750 for participation in a health assessment and leadership performance program.

Equity Grants in 2013(1)

Name and Principal Position(2)	Year	Grant Date	Option Awards: Number of Shares underlying Options	Option Awards: Grant Price (EUR)	Option Awards: Grant Date Fair Value(3) (EUR)	Stock Awards: Performance Shares at Threshold (Number)	Stock Awards: Performance Shares at Maximum (Number)	Stock Awards: Restricted Shares (Number)	Stock Awards: Grant Date Fair Value(4) (EUR)
Stephen Elop, EVP Devices & Services, former President and CEO	2013	May 15	1 800 000	2.71	2 197 692	562 500	2 250 000		
	2013	March 13						785 000	5 385 660
Risto Siilasmaa, Chairman of the Board of Directors. Interim CEO	2013		0	0	0	0	0	0	0
Timo Ihamuotila, EVP, Chief Financial Officer, Interim President	2013	May 15	370 000	2.71	451 748	110 000	440 000		
	2013	March 13						130 000	990 280
	2013	November 13						25 000	146 125
Louise Pentland, EVP, Chief Legal Officer	2013	May 15	350 000	2.71	427 329	100 000	400 000		
	2013	March 13						120 000	905 120
Michael Halbherr, EVP, HERE	2013	May 15	370 000	2.71	451 748	110 000	440 000		
	2013	March 13						130 000	990 280
Jo Harlow, EVP, Smart Devices	2013	May 15	370 000	2.71	451 748	110 000	440 000		
	2013	March 13						130 000	990 280

(1) Including all equity awards made during 2013. Awards were made under the Nokia Stock Option Plan 2011, the Nokia Performance Share Plan 2013 and the Nokia Restricted Share Plan 2013.

(2) The positions set forth in this table are the positions of the named executive officers as of December 31, 2013.

(3) The fair value of stock options equals the estimated fair value on the grant date, calculated using the Black-Scholes model. The stock option exercise price was EUR 2.71 on May 15, 2013. NASDAQ OMX Helsinki closing market price was EUR 2.92 at grant date on May 15, 2013.

(4) The fair value of performance shares and restricted shares equals the estimated fair value on the grant date. The estimated fair value is based on the grant date market price of 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 Nokia Leadership Team as at December 31, 2013, please see Item 6E. Share Ownership .

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Equity-Based Incentive Programs

General

The Board of Directors approved on February 14, 2014 Nokia Equity Based Incentive Programme for the year 2014. The programme for 2014 will be explained in more detail under Nokia Equity-Based Incentive Programme 2014 .

During the year ended December 31, 2013, we administered two global stock option plans, four global performance share plans, four global restricted share plans and an employee share purchase plan. Both executives and employees participate in these plans. Our compensation programs promote long-term value creation and sustainability of the company and are designed to ensure that compensation is based on performance. Performance shares have been the main element of the company s broad-based equity compensation program for several years to emphasize the performance element in employees long-term incentives.

The primary equity instruments for the executive employees were performance shares and stock options. Restricted shares have also been used for executives for retention purposes. The portfolio approach has been designed to build an optimal and balanced combination of long-term equity-based incentives and to help focus recipients on long term financial performance as well as on share price appreciation, thus aligning recipients interests with those of shareholders. For directors below the executive level, the primary equity instruments have been performance shares and restricted shares. Below the director level, performance shares and restricted shares have been used on a selective basis to ensure retention and recruitment of individuals with functional mastery and other employees deemed critical to Nokia s future success.

The equity-based incentive grants are conditioned upon continued employment with Nokia, as well as the fulfillment of performance and other conditions, as determined in the relevant plan rules.

The participant group for the 2013 equity-based incentive program continued to include employees from many levels of the organization. As at December 31, 2013, the aggregate number of participants in all of our active equity-based programs was approximately 7 200 and approximately 7 200 as at December 31, 2012.

Stock option, performance share and restricted share grants to the President and CEO are made upon recommendation by the Personnel Committee and approved by the Board of Directors and confirmed by the independent directors of the Board. The interim CEO was not eligible to receive any equity-based incentive grants and did not receive any grants during 2013. The interim President s stock option and restricted share grants in recognition of his additional responsibilities as the interim President were made upon recommendation by the Personnel Committee and approved by the Board of Directors in accordance with the terms and conditions of the plans. Stock option, performance share and restricted share grants to the other Nokia Group Leadership Team members and other direct reports of the President and CEO are approved by the Personnel Committee. Stock option, performance share and restricted share grants to other eligible employees are approved by the President and CEO on a quarterly basis, based on an authorization given by the Board of Directors.

In 2013 employees of Networks were excluded from Nokia s equity incentive programs.

Performance Shares

During 2013, we administered four global performance share plans: the Performance Share Plans of 2010, 2011, 2012 and 2013, each of which, including its terms and conditions, has been approved by the Board of Directors.

The performance shares represent a commitment by Nokia Corporation to deliver Nokia shares to employees at a future point in time, subject to Nokia s fulfillment of pre-defined performance criteria. No Nokia shares will be delivered unless the Group s performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria. The below table illustrates the performance criteria of the Performance Share Plans from 2010 through 2013.

	Performance Share Plan			
Performance Criteria	**2013**	**2012**	**2011**	**2010**
Average Annual Net Sales Growth (Nokia Group)			yes	yes
EPS at the end of Performance period (Nokia Group)				yes
Average Annual Net Sales (Nokia Group excluding Networks)	yes[(1)]	yes		
Average Annual Net Sales (Nokia Group)	yes[(2)]			
Average Annual EPS (Nokia Group)	yes	yes	yes	

(1) Specific to 2013 year, of the two-year performance period (2013 2014), only.
(2) Specific to 2014 year, of the two-year performance period (2013 2014), only to reflect the change in ownership structure of Networks.

The 2010 and 2011 plans have a three-year performance period. The shares vest after the respective performance period. The 2012 and 2013 plans have a two-year performance period and a subsequent one-year restriction period, after which the shares vest. The shares will be delivered to the participants as soon as practicable after they vest. No shares will be delivered if Nokia s performance does not reach the performance criteria. The below table summarizes the relevant periods and settlements under the plans.

Plan	**Performance period**	**Settlement**
2010[(1)]	2010-2012	2013
2011[(2)]	2011-2013	2014
2012[(2)]	2012-2013 [(3)]	2015
2013	2013-2014 [(3)]	2016

(1) No Nokia shares were delivered under the Nokia Performance Share Plan 2010 as Nokia s performance did not reach the requisite threshold level with respect to the applicable performance criteria under the plan.
(2) No Nokia shares will be delivered under the Nokia Performance Share Plans 2011 and 2012 as Nokia s performance did not reach the requisite threshold level with respect to the applicable performance criteria for either plan.
(3) Nokia Performance Share Plans 2012 and 2013 have a one-year restriction period after the two-year performance period.

Until the shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the performance shares. The performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Similar to the previous 2008, 2009 and 2010 plans, there was no payout from the Nokia Performance Share Plan 2011. There will also be no payout from Nokia Performance Share Plan 2012 as the threshold level under the applicable performance criteria was not reached.

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Stock Options

During 2013 we administered two global stock option plans: the Stock Option Plans 2007 and 2011, each of which, including its terms and conditions, has been approved by the Annual General Meeting in the year when the plan was launched.

Each stock option entitles the holder to subscribe for one new Nokia share. The stock options are non-transferable and may be exercised for shares only. All of the stock options granted under the Stock Option Plan 2007 have a vesting schedule with 25% of the options vesting one year after grant and 6.25% each quarter thereafter. The stock options granted under the 2007 plan have a term of approximately five years. The stock options granted under the Stock Option Plan 2011 have a vesting schedule with 50% of stock options vesting three years after grant and the remaining 50% vesting four years from grant. The stock options granted under the 2011 plan have a term of approximately six years.

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

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

Restricted Shares

During 2013, we administered four global restricted share plans: the Nokia Restricted Share Plans 2010, 2011, 2012 and 2013, each of which, including its terms and conditions, has been approved by the Board of Directors.

Beneath the executive and director levels restricted shares were used on a selective basis to ensure retention and recruitment of individuals with functional mastery and other employees deemed critical to Nokia s future success.

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

Employee Share Purchase Plan

During 2013, Nokia launched for the first time an Employee Share Purchase Plan (so called Share in Success). Under the Employee Share Purchase Plan, eligible Nokia employees could elect to make monthly contributions from their salary to purchase Nokia shares. The contribution per employee

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cannot exceed EUR 1 200 per year. The share purchases are made at market value on pre-determined dates on a monthly basis during a 12-month savings period. Nokia will offer one matching share for every two purchased shares the employee still holds after the last monthly purchase has been made in June 2014. In addition, 20 free shares were delivered to employees who made the first three consecutive monthly share purchases. The participation in the plan was voluntary to the employees.

Nokia Equity-Based Incentive Program 2014

On February 14, 2014, the Board of Directors approved the scope and design of the Nokia Equity Program 2014. The Board of Directors decided not to propose stock options for the 2014 Annual General Meeting. Similarly to the earlier equity incentive programs, the Equity Program 2014 is designed to support the participants focus and alignment with Nokia s long term success. Nokia s use of the performance-based plan as the main long-term incentive vehicles is planned to effectively contribute to the long-term value creation and sustainability of the company and to align the interests of the employees with those of the shareholders. It is also designed to ensure that the overall equity-based compensation is based on performance, while also ensuring the recruitment and retention of talent vital to the future success of Nokia. Shares under the Nokia Restricted Share Plan 2014 are intended to be granted only for exceptional retention and recruitment purposes as to ensure Nokia is able to retain and recruit talent vital to the future success of the group. In addition, the Employee Share Purchase Plan continues to be offered to encourage employee share ownership, commitment and engagement.

The primary equity instruments for the executive employees and directors below executive level are performance shares. Below the director level, performance shares are used on a selective basis to ensure retention and recruitment of individuals with functional mastery and other employees deemed critical to Nokia s future success. These equity-based incentive awards are generally forfeited if the employee leaves Nokia prior to vesting. Shares under Nokia Restricted Share Plan 2014 are intended to be granted only for exceptional retention and recruitment purposes as to ensure Nokia is able to retain and recruit talent vital to the future success of the group. The Employee Share Purchase Plan will be offered to all employees in selected jurisdictions (excluding Networks employees for 2014), to the extent there are no local regulatory or administrative obstacles for the offer. The participation in the plan will be voluntary to eligible employees.

Performance Shares

The Nokia Performance Share Plan 2014 has a two-year performance period (2014 through 2015) and a subsequent one-year restriction period. Therefore, the amount of shares based on the financial performance during 2014-2015 will vest after 2016. The performance criteria for the performance period are as follows:

For Nokia Group employees (excluding HERE employees):

Nokia Group Average Annual Non-IFRS Net Sales

Nokia Group Average Annual Non-IFRS EPS

For HERE employees:

Nokia Group Average Annual Non-IFRS EPS

HERE Average Annual Non-IFRS Net Sales

HERE Average Annual Non-IFRS Operating Profit

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The number of shares to be settled after the restriction period will start at 25% of the granted amount and any payout beyond this will be determined with reference to the financial performance against the established performance criteria during the two-year performance period.

The threshold and maximum levels for the Nokia Performance Share Plan 2014 are as follows:

Performance Criterion for the Nokia Group employees (excluding HERE employees):

Performance Criterion	Weighting	Threshold performance	Maximum Performance	Potential range of Settlement*
Nokia Average Annual Non-IFRS Net Sales during Jan.1 2014-Dec. 31. 2015	50%	EUR 11.135 billion	EUR 15.065 billion	Threshold Number up to maximum level (4 x Threshold Number)
Nokia Average Annual Non-IFRS EPS during Jan.1 2014-Dec. 31. 2015	50%	EUR 0.11	EUR 0.38	Threshold Number up to maximum level (4 x Threshold Number)

Performance Criterion for the HERE employees:

Performance Criterion	Weighting	Threshold performance	Maximum Performance	Potential range of Settlement*
Nokia Average Annual Non-IFRS EPS during Jan.1 2014-Dec. 31. 2015	25%	EUR 0.11	EUR 0.38	Threshold Number up to maximum level (4 x Threshold Number)
HERE Non-IFRS Average Annual Operating Profit during Jan.1 2014- Dec. 31. 2015	25%	EUR 0 million	EUR 130 million	Threshold Number up to maximum level (4 x Threshold Number)
HERE Average Annual Non-IFRS Net Sales during Jan.1	50%	EUR 950 million	EUR 1.150 billion	Threshold Number up to maximum level (4 x Threshold Number)

2014-Dec. 31. 2015

* The minimum pay-out of 25% of the Grant Amount will be payable only in the event that the calculated pay-out (based on Nokia s performance against the Performance Criteria) is beneath 25% achievement against the Performance Criteria.

We believe the performance criteria set above are challenging, yet realistic and within reach. The awards at the threshold are significantly reduced from grant level and achievement of maximum award would serve as an indication that Nokia s performance significantly exceeded current market expectations of our long-term execution.

Achievement of the maximum performance for all criteria would result in the vesting of a maximum of 29.7 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 all criteria will result in the vesting of approximately 7.4 million shares and will be the minimum payout under the plan. Minimum pay-out under the plan, even if threshold performance is not achieved, is 7.4 million shares due to the 25% minimum pay-out. The vesting will occur after 2016. Until Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with these performance shares.

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Restricted Shares

Restricted shares under the Nokia Restricted Share Plan 2014 approved by the Board of Directors are used as described above on a selective basis to ensure extraordinary retention and recruitment of individuals with functional mastery and other employees deemed critical to Nokia s future success and will only be used in limited and exceptional circumstances. This is a change to the earlier practice when restricted shares were included as part of the annual compensation reviews. The restricted shares under the Nokia Restricted Share Plan 2014 have a three-year restriction period. The restricted shares will vest and the resulting Nokia shares will be delivered in 2017, and early 2018, dependent on the fulfillment of the criteria of continued employment during the restriction period. Until the shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with these restricted shares.

Employee Share Purchase Plan

Under the Employee Share Purchase Plan, eligible Nokia employees can elect to make monthly contributions from their salary to purchase Nokia shares. The contribution per employee cannot exceed EUR 1 200 per year. The share purchases will be made at market value on pre-determined dates on a monthly basis during a 12-month savings period. Nokia will offer one matching share for every two purchased shares the employee still holds after the last monthly purchase has been made following the end of the 12-month savings period. Participation in the plan is voluntary to the employees.

Maximum Planned Grants under the Nokia Equity-Based Incentive Program 2014 in Year 2014

The approximate maximum numbers of planned grants under the Nokia Equity Program 2014 (i.e., performance shares, restricted shares as well as matching share awards under the Employee Share Purchase Plan) in 2014 are set forth in the table below.

Plan type	Planned Maximum Number of Shares Available for Grants under the Equity Program 2014
Restricted Shares	2 million
Performance Shares at Maximum[1]	29.7 million
Employee Share Purchase Plan[2]	0.420 million

(1) The number of Nokia shares to be delivered at minimum is a quarter of maximum performance, i.e., a total of 7.4 million Nokia shares.
(2) The calculation for the Employee Share Purchase Plan is based on the closing share price EUR 5.28 on February 13, 2014, the day prior to board approval.

As at December 31, 2013, the total dilutive effect of all 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 Equity Program 2014 would be approximately another 0.9%. Due to the Sale of D&S Business to Microsoft shares will be forfeited when employees transfer to Microsoft. The impact to dilution is 1.4%, and, consequently, overall expected maximum dilution of outstanding equity programs is 1.67%.

NSN Equity Incentive Plan

Networks established a share-based incentive plan in 2012 under which options over Networks shares were granted to selected employees (NSN Equity Incentive Plan). The options generally become exercisable on the fourth anniversary of the grant date or, if earlier, on the occurrence of certain corporate transactions such as an initial public offering (Corporate Transaction).

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The exercise price of the options is based on a Networks share value on grant as determined for the purposes of the NSN Equity Incentive Plan. The options will be cash-settled at exercise, unless an initial public offering has taken place, at which point they would be converted into equity-settled options. If the options are cash-settled, the holder will be entitled to half of the share appreciation based on the exercise price and the estimated value of shares on the exercise date, unless there has been a change of control, as specified in the plan terms, in which case the holder will be entitled to all of the share appreciation. If a Corporate Transaction has not taken place by the sixth anniversary of the grant date, the options will be cashed out. If an initial public offering has taken place, equity-settled options remain exercisable until the tenth anniversary of the grant date. The gains that may be made under the NSN Equity Plan are also subject to a cap.

As a consequence of (i) Networks having become a wholly owned subsidiary of Nokia, and (ii) Nokia being in the process of the Sale of the D&S Business, the Board of Directors approved on February 14, 2014 a modification to the NSN Equity Incentive Plan to allow 30% of the options to vest on the third anniversary of the grant date, with the remainder of the options continuing to become exercisable on the fourth anniversary of the grant date, or earlier, in the event of a Corporate Transaction.

6C. Board Practices

The Board of Directors

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

Responsibilities of the Board of Directors

The Board represents and is accountable to the shareholders of Nokia. The Board s responsibilities are active, not passive, and include the responsibility to regularly evaluate the strategic direction of Nokia, management policies and the effectiveness with which management implements them. It is the responsibility of the members of the Board to act in good faith and with due care so as to exercise their business judgment on an informed basis in what they reasonably and honestly believe to be in the best interests of the company and its shareholders. In discharging that obligation, the directors must inform themselves of all relevant information reasonably available to them. The Board and each Board Committee also have the power to hire independent legal, financial or other advisors as they deem necessary.

The Board s responsibilities also include overseeing the structure and composition of Nokia s top management and monitoring legal compliance and the management of risks related to Nokia s operations. In doing so, the Board may set annual ranges and/or individual limits for capital expenditures, investments and divestitures and financial commitments not to be exceeded without Board approval.

Nokia has a Risk Policy which outlines Nokia s overall guidelines for risk management and related processes. The Nokia Risk Policy is approved by the Audit Committee of the Board of Directors. The Board s role in risk oversight includes risk analysis and assessment in connection with financial and business reviews, update and decision-making proposals and is an integral part of Board deliberations. The Audit Committee is responsible for, among other matters, risk management relating to the financial reporting process and assisting the Board s oversight of the risk management function. Nokia applies a common and systematic approach to risk management across all business operations and processes based on a business strategy approved by the Board. Accordingly, risk management at Nokia is not a separate process but a normal daily business and management practice.

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The Board has the responsibility for appointing and discharging the President and Chief Executive Officer (CEO), the Chief Financial Officer and the other members of the Nokia Group Leadership Team (previously, until May 1, 2014 Nokia Leadership Team). On September 3, 2013, Nokia announced changes to its leadership as a result of the announced Sale of the D&S Business. These changes were designed to provide an appropriate corporate governance structure during the interim period following the announcement until the consummation of the transaction As Stephen Elop was agreed to transfer to Microsoft upon closing of the transaction, he left his position as President and CEO effective September 3, 2014 in order to avoid the perception of any potential conflict of interests, and continued to lead the Devices & Services business as Executive Vice President, Devices & Services. For the same reason, Mr. Elop also resigned from the Nokia Board of Directors on September 3, 2013. On the same day, Risto Siilasmaa assumed the role of interim CEO of Nokia while continuing to serve in his role as Chairman of the Nokia Board of Directors, and Timo Ihamuotila assumed the role of interim President and Chairman of Nokia Leadership Team while also continuing to serve as Chief Financial Officer. On April 29, 2014, Nokia announced its new strategy and consequently, changes to its leadership. Nokia Board appointed, effective as from May 1, 2014, Rajeev Suri as the President and Chief Executive Officer of Nokia. His rights and responsibilities include those allotted to the President under Finnish law and he also chairs the Nokia Group Leadership Team.

Subject to the requirements of Finnish law, the independent directors of the Board confirm the compensation and the employment conditions of the President and CEO upon the recommendation of the Personnel Committee of the Board of Directors. The compensation and employment conditions of the other members of the Nokia Group Leadership Team are approved by the Personnel Committee upon the recommendation of the President and CEO.

The Board has three committees: Audit Committee, Corporate Governance and Nomination Committee and Personnel Committee. These committees assist the Board in its duties pursuant to their respective committee charters. The independent directors of the Board confirm the election of the members and Chairmen for the Board s committees from among the Board s independent directors upon the recommendation of the Corporate Governance and Nomination Committee and based on each committee s member qualification standards. On September 3, 2013 Risto Siilasmaa assumed the position of interim CEO of Nokia and consequently stepped down from the Corporate Governance and Nomination Committee. On the same day, Jouko Karvinen was elected the Chairman of the Corporate Governance and Nomination Committee. The Board may also establish ad hoc committees for detailed reviews or consideration of particular topics to be proposed for the approval of the Board. For information about the members and the Chairmen for the Board of Directors and its committees, see Item 6A. Directors and Senior Management Board of Directors above and Committees of the Board of Directors below.

In line with Nokia s Corporate Governance Guidelines, the Board conducts annual performance evaluations, which also include evaluations of the Board Committees work, the results of which are discussed by the Board. Regarding 2013, the Board conducted an evaluation process consisting of self-evaluations, peer evaluations as well as interviews. The results of the evaluation are discussed by the entire Board.

Composition of the Board of Directors

Pursuant to the Articles of Association, Nokia Corporation has a Board of Directors composed of a minimum of seven and a maximum of 12 members. The members of the Board are elected for a term beginning from the Annual General Meeting in which elected and expiring at the close of the following Annual General Meeting. The Annual General Meeting convenes each year by June 30. The Annual General Meeting held on May 7, 2013 elected the following 10 members to the Board of Directors: Bruce Brown, Elizabeth Doherty, Stephen Elop, Henning Kagermann, Jouko Karvinen, Helge Lund,

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Mårten Mickos, Elizabeth Nelson, Risto Siilasmaa and Kari Stadigh. Stephen Elop resigned from the Board of Directors effective as from September 3, 2013, after which the Board of Directors has consisted of nine members.

Nokia Board s leadership structure consists of a Chairman and Vice Chairman elected annually by the Board, and confirmed by the independent directors of the Board, from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. On May 7, 2013, the independent directors of the Board elected Risto Siilasmaa to continue as the Chairman and Jouko Karvinen as the Vice Chairman of the Board. The Chairman has certain specific duties as defined by Finnish law and the Nokia Corporate Governance Guidelines. The Vice Chairman assumes the duties of the Chairman in case the Chairman is prevented from performing his duties. The Board has determined that the Vice Chairman Jouko Karvinen is independent as defined by Finnish standards and relevant stock exchange rules. The Board Chairman Risto Siilasmaa was determined not to be independent as defined by Finnish standards and the rules of the New York Stock Exchange due to his position as interim CEO from September 3, 2013.

Nokia does not have a policy concerning the combination or separation of the roles of the Chairman and the President and CEO, but the Board leadership structure is dependent on the company needs, shareholder value and other relevant factors applicable from time to time, respecting the highest corporate governance standards. In 2013 through September 3, 2013, the roles were separate while Risto Siilasmaa was the Chairman of the Board and Stephen Elop was the President and CEO. During the interim period between the announcement of the transaction with Microsoft and its consummation, the roles of Chairman and President continued to be separate, as Timo Ihamuotila assumed the role of interim President as of September 3, 2013 while Risto Siilasmaa continued as the Chairman of the Board of Directors. As part of his interim CEO role, Risto Siilasmaa took on, among others, the responsibility of leading the vision work, strategy process, work on the new company structure and managing the CEO recruitment process, while Timo Ihamuotila took on, among others, additional responsibilities for matters related to the closing of the Sale of the D&S Business transaction, financial reporting and investor relations. Following the new strategy announcement, Rajeev Suri was appointed as the President and CEO effective from May 1, 2014, while Risto Siilasmaa continues as the Chairman of the Board.

The current members of the Board are all non-executive. The Board has determined that seven of the current nine non-executive Board members are independent as defined by Finnish standards as well as by the rules of the New York Stock Exchange. Mårten Mickos was determined not to be independent under both Finnish standards and the rules of the New York Stock Exchange due to a his position as CEO of Eucalyptus Systems, Inc. that has a business relationship with and receives revenue from Networks. The Board Chairman Risto Siilasmaa was determined not to be independent under Finnish standards and the rules of the New York Stock Exchange due to his position as interim CEO from September 3, 2013.

The Board has determined that all of the members of the Audit Committee, including its Chairman, Jouko Karvinen, are audit committee financial experts as defined in Item 16A of this annual report.

Meetings of the Board of Directors

The Board held 34 meetings during 2013, of which approximately third were regularly scheduled meetings held in person, complemented by meetings through video or conference calls and other means. In addition, in 2013 the non-executive directors held a meeting without management in connection with regularly scheduled Board meetings. Also, the independent directors held one meeting separately in 2013.

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Directors attendance at the Board meetings, including Committee meetings, but excluding meetings among the non-executive directors or independent directors only, was as follows in 2013.

	Board meetings	Audit Committee meetings	Personnel Committee meetings	Corporate Governance & Nomination Committee meetings
Bruce Brown	91%		78%	
Elizabeth Doherty (as of May 7, 2013)	96%	100%		
Stephen Elop (until September 3, 2013)	96%			
Henning Kagermann	91%		100%	100%
Jouko Karvinen	100%	100%		100%
Helge Lund	88%		66%	100%
Isabel Marey-Semper (until May 7, 2013)	88%	75%		
Mårten Mickos	100%			
Elizabeth Nelson	100%	92%		
Dame Marjorie Scardino (until May 7, 2013)	100%		100%	100%
Risto Siilasmaa	100%			100% (until September 3, 2013)
Kari Stadigh	85%		88%	

In addition, many of the directors attended as non-voting observers in meetings of a committee in which they were not a member.

According to the Nokia Board practices, the non-executive directors meet without management in connection with each regularly scheduled meeting. Such sessions are chaired by the non-executive Chairman of the Board. If the non-executive Chairman of the Board is unable to chair any of the meetings of non-executive directors, the non-executive Vice Chairman of the Board chairs the meeting. In addition, the independent directors meet separately at least once annually.

All the directors who served on the Board for the term until the close of the Annual General Meeting 2013, except for Bruce Brown, attended Nokia s Annual General Meeting held on May 7, 2013. In addition, all the current members of the Board of Directors attended Nokia s Extraordinary General Meeting held on November 19, 2013. The Finnish Corporate Governance Code recommends attendance by the Board Chairman and a sufficient number of directors in the general meeting of shareholders to allow the shareholders to exercise their right to present questions to the Board and management.

The Corporate Governance Guidelines concerning the directors responsibilities, the composition and election of the Board, its committees and certain other matters relating to corporate governance are available on our website, *www.company.nokia.com/en/about-us.* Also, the Committee Charters of the Audit Committee, Corporate Governance and Nomination Committee and Personnel Committee are available on our website, *www.company.nokia.com/en/about-us*. We also have a Code of Conduct which is equally applicable to all of our employees, directors and management and is available on our website, *www.company.nokia.com/en/about-us.* In addition, 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 16B. Code of Ethics .

Until September 3, 2013, Mr. Elop, then President and CEO, was the only Board member who had a service contract with Nokia. During the interim governance, Chairman of the Board of Directors, Risto Siilasmaa received additional compensation for his position as the interim CEO. For discussion of the service contract of Mr. Elop and additional compensation to Mr. Siilasmaa, see Item 6B. Executive Compensation Actual Executive Compensation for 2013 Service Contracts.

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Committees of the Board of Directors

The Audit Committee consists of a minimum of three members of the Board who meet all applicable independence, financial literacy and other requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, i.e. NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 7, 2013, the Audit Committee consists of the following three members of the Board: Jouko Karvinen (Chairman), Elizabeth Doherty and Elizabeth Nelson.

The Audit Committee is established by the Board primarily for the purpose of overseeing the accounting and financial reporting processes of the company and audits of the financial statements of the company. The Committee is responsible for assisting the Board s oversight of (1) the quality and integrity of the company s financial statements and related disclosure, (2) the statutory audit of the company s financial statements, (3) the external auditor s qualifications and independence, (4) the performance of the external auditor subject to the requirements of Finnish law, (5) the performance of the company s internal controls and risk management and assurance function, (6) the performance of the internal audit function, and (7) the company s compliance with legal and regulatory requirements, including also the performance of its ethics and compliance program. The Committee also maintains procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by employees of the company of concerns regarding accounting or auditing matters. Our disclosure controls and procedures, which are reviewed by the Audit Committee and approved by the Chief Executive Officer and the Chief Financial Officer, as well as our internal controls over financial reporting, are designed to provide reasonable assurance regarding the quality and integrity of the company s financial statements and related disclosures. The Disclosure Committee chaired by the Chief Financial Officer is responsible for the preparation of the quarterly and annual results announcements, and the process includes involvement by business managers, business controllers and other functions, like internal audit, as well as a final review and confirmation by the Audit Committee and the Board. For further information on internal control over financial reporting, see Item 15. Controls and Procedures .

Under Finnish law, our external auditor is elected by our shareholders by a simple majority vote at the Annual General Meeting for one fiscal year at a time. The Audit Committee makes a proposal to the shareholders in respect of the appointment of the external auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election. Under Finnish law, the fees of the external auditor are also approved by our shareholders by a simple majority vote at the Annual General Meeting. The Committee makes a proposal to the shareholders in respect of the fees of the external auditor, and approves the external auditor s annual audit fees under the guidance given by the Annual General Meeting. For information about the fees paid to our external auditor, PricewaterhouseCoopers during 2013, see Item 16C. Principal Accountant Fees and Services Auditor Fees and Services.

In discharging its oversight role, the Audit Committee has full access to all company books, records, facilities and personnel. The Committee may retain counsel, auditors or other advisors in its sole discretion, and must receive appropriate funding, as determined by the Committee, from the company for the payment of compensation to such outside advisors.

The Audit Committee meets at least four times a year based upon a schedule established at the first meeting following the appointment of the Committee. The Committee meets separately with the representatives of Nokia s management, heads of the internal audit and ethics and compliance functions, and the external auditor in connection with each regularly scheduled meeting. The head of the internal audit function has at all times a direct access to the Audit Committee, without involvement of management.

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The Audit Committee had 13 meetings in 2013. The attendance at all meetings was 92%. In addition, any director who wishes to, may attend Audit Committee meetings as a non-voting observer.

The Personnel Committee consists of a minimum of three members of the Board who meet all applicable independence requirements of Finnish law and the rules of the stock exchanges where Nokia shares are listed, i.e. NASDAQ OMX Helsinki and the New York Stock Exchange. Since May 7, 2013, the Personnel Committee consists of the following four members of the Board: Henning Kagermann (Chairman), Bruce Brown, Helge Lund, and Kari Stadigh.

The primary purpose of the Personnel Committee is to oversee the personnel policies and practices of the company. It assists the Board in discharging its responsibilities relating to all compensation, including equity compensation, of the company s executives and their terms of employment. The Committee has overall responsibility for evaluating, resolving and making recommendations to the Board regarding (1) compensation of the company s top executives and their employment conditions, (2) all equity-based plans, (3) incentive compensation plans, policies and programs of the company affecting executives and (4) other significant incentive plans. The Committee is responsible for overseeing compensation philosophy and principles and ensuring that the above compensation programs are performance-based, designed with an intention to contribute to the long-term value sustainability of the company, properly motivate management, support overall corporate strategies and are aligned with shareholders interests. The Committee is responsible for the review of senior management development and succession plans.

The Personnel Committee had 9 meetings in 2013. The average attendance at the meetings was 86%. In addition, any director who wishes to, may attend Personnel Committee meetings as a non-voting observer.

For further information on the activities of the Personnel Committee, see Item 6B. 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, i.e. NASDAQ OMX Helsinki and the New York Stock Exchange. From May 7, 2013 until September 3, 2013, the Corporate Governance and Nomination Committee consisted of the following four members of the Board: Risto Siilasmaa (Chairman), Henning Kagermann, Jouko Karvinen and Helge Lund. After Risto Siilasmaa assumed the position of Nokia s interim CEO and since September 3, 2013 the Corporate Governance and Nomination Committee has consisted of the following three members of the Board: Jouko Karvinen (Chairman), Henning Kagermann and Helge Lund.

The Corporate Governance and Nomination Committee s purpose is (1) to prepare the proposals for the general meetings in respect of the composition of the Board and the director remuneration to be approved by the shareholders and (2) to monitor issues and practices related to corporate governance and to propose necessary actions in respect thereof.

The Committee fulfills its responsibilities by (i) actively identifying individuals qualified to become members of the Board and considering and evaluating the appropriate level and structure of director remuneration, (ii) proposing to the shareholders the director nominees for election at the Annual General Meetings as well as the director remuneration, (iii) monitoring significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies, (iv) assisting the Board and each Committee of the Board in its annual performance self-evaluations, including establishing criteria to be used in connection with such evaluations, (v) developing and recommending to the Board and administering our Corporate Governance Guidelines, and (vi) reviewing the company s disclosure in the Corporate Governance Statement published in Nokia s Finnish annual report.

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The Committee has the power to retain search firms or advisors to identify candidates. The Committee may also retain counsel or other advisors, as it deems appropriate. The Committee has the sole authority to retain or terminate such search firms or advisors and to review and approve such search firm or advisor s fees and other retention terms. It is the Committee s practice to retain a search firm to identify new director candidates.

The Corporate Governance and Nomination Committee had 5 meetings in 2013. The average attendance at the meetings was 100%. In addition, any director who wishes to, may attend Corporate Governance and Nomination Committee meetings as a non-voting observer.

6D. Employees

At December 31, 2013, Nokia employed 86 462 employees, which includes 55 244 employees employed by Nokia s continuing businesses, as well as 31 218 people employed by discontinuing business. The tables below show the average number of employees divided into continuing and discontinuing employees and according to their activity and geographical location:

Nokia Continuing Operations[(1)]	**2013**
NSN (renamed Networks)	52 564
HERE	5 897
Advanced Technologies (renamed Technologies) and Corporate Common Functions	872
Total	**59 333**
Finland	6 521
Other European countries	16 776
Middle-East & Africa	2 929
China	8 146
Asia-Pacific	15 047
North America	5 178
Latin America	4 736
Nokia Discontinued Operations[(2)]	
Discontinued Operations	31 055
Finland	4 559
Other European countries	2 834
Middle-East & Africa	319
China	10 245
Asia-Pacific	9 791
North America	1 396
Latin America	1 891
Nokia Group	90 388

(1) Employees who continued to be employees of Nokia after the close of the Sale of D&S Business.
(2) Employees who transferred to Microsoft at the close of the Sale of D&S Business.

Management believes that we have a good relationship with our employees and with the labor unions.

6E. Share Ownership

General

The following section describes the ownership or potential ownership interest in the company of the members of our Board of Directors and the Nokia Leadership Team as at December 31, 2013, either through share ownership or, with respect to the Nokia Leadership Team, through holding of equity-based incentives, which may lead to share ownership in the future.

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With respect to the Board of Directors, approximately 40% of director compensation is paid in the form of Nokia shares that are purchased from the market or alternatively by using own shares held by the Company. It is also Nokia s current policy that the Board members retain all Nokia shares received as director compensation until the end of their board membership (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). In addition, it is Nokia s policy that non-executive members of the Board do not participate in any of Nokia s equity programs and do not receive stock options, performance shares, restricted shares or any other equity based or otherwise variable compensation for their duties as Board members.

For a description of the compensation for our Board of Directors, see Item 6B. Compensation Board of Directors Compensation of the Board of Directors in 2013 .

The Nokia Group Leadership Team members have received equity-based compensation in the form of performance shares, restricted shares, stock options and equity awards under the Networks Equity Incentive Plan. For a description of our equity-based compensation programs for employees and executives, see Item 6B. Compensation Equity-Based Incentive Programs .

Share Ownership of the Board of Directors

At December 31, 2013, the members of our Board of Directors held the aggregate of 1 459 230 shares and ADSs in Nokia, which represented 0.04% of our outstanding shares and total voting rights excluding shares held by Nokia Group at that date. Each member of the Board of Directors owns less than 1% of Nokia shares.

The following table sets forth the number of shares and ADSs held by the members of the Board of Directors as at December 31, 2013.

Name[1]	Shares[2]	ADSs[2]
Risto Siilasmaa	809 809	
Bruce Brown		53 528
Elizabeth Doherty	11 499	
Henning Kagermann	200 708	
Jouko Karvinen	48 653	
Helge Lund	57 274	
Mårten Mickos	99 028	
Elisabeth Nelson		68 053
Kari Stadigh	110 678	

(1) Isabel Marey-Semper did not stand for re-election in the Annual General Meeting held on May 7, 2013, and she held 43 734 shares at that time. Marjorie Scardino did not stand for re-election in the Annual General Meeting held on May 7, 2013 and she held 67 362 shares at that time. Stephen Elop stepped down from the board as of September 3, 2013, and held 425 000 shares at that time.

(2) The number of shares or ADSs includes not only shares or ADSs received as director compensation, but also shares or ADSs acquired by any other means. Stock options or other equity awards that are deemed as being beneficially owned under the applicable SEC rules are not included. For the number of shares or ADSs received as director compensation, see Note 31 to our consolidated financial statements included in Item 18 of this annual report.

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Share Ownership of the Nokia Leadership Team

The following table sets forth the share ownership, as well as potential ownership interest through the holding of equity-based incentives, of the members of the Nokia Leadership Team as at December 31, 2013.

	Shares	Shares Receivable Through Stock Options	Shares Receivable Through Performance Shares at Threshold[4]	Shares Receivable Through Performance Shares at Maximum[5]	Shares Receivable Through Restricted Shares
Number of equity instruments held by Nokia Leadership Team[1]	1 005 150	10 271 500	1 462 500	5 850 000	4 264 000
% of the outstanding shares[2]	0.03	0.28	0.04	0.16	0.11
% of the total outstanding equity incentives (per instrument)[3]		36.81	22.45	22.45	14.05

(1) Includes 11 Nokia Leadership Team members at year end. Figures do not include those former Nokia Leadership Team members who left during 2013.

(2) The percentage is calculated in relation to the outstanding number of shares and total voting rights of the company, excluding shares held by Nokia Group. Each Nokia Leadership Team member owns less than 1% of Nokia shares.

(3) The percentage is calculated in relation to the total outstanding equity incentives per instrument.

(4) No Nokia shares were delivered under the Nokia Performance Share Plan 2011, which vested in 2013. Nokia s performance did not reach the requisite threshold level with respect to the applicable performance criteria. Therefore, the shares deliverable at threshold equaled zero and no Nokia shares were delivered pursuant to the Nokia Performance Share Plan 2011.

(5) No Nokia shares were delivered under the Nokia Performance Share Plan 2011, which vested in 2013. Nokia s performance did not reach the requisite threshold level with respect to the applicable performance criteria. Therefore, the shares deliverable at maximum equaled zero and no Nokia shares were delivered pursuant to the Nokia Performance Share Plan 2011.

There will also be no payout under the Nokia Performance Share Plan 2012. At maximum performance under the Nokia Performance Share Plan 2012, the number of shares deliverable equals four times the number of performance shares at threshold. At the end of the performance period for the Nokia Performance Share Plan 2012, which ended on December 31, 2013, the threshold performance criteria for net sales and EPS were not met. Therefore, there will be no payout under the Nokia Performance Share Plan 2012 as the threshold level under the applicable performance criteria was not reached.

The following table sets forth the number of shares and ADSs in Nokia held by members of the Nokia Leadership Team as of December 31, 2013.

Name[1]	**Shares[2]**	**ADSs[2]**	**Became Nokia Leadership Team member (Year)**
Stephen Elop		425 000	2010
Michael Halbherr	210 823		2011
Jo Harlow	25 830	25 000	2011
Timo Ihamuotila	89 990		2007
Louise Pentland[3]	500		2011
Juha Putkiranta	45 734		2012
Henry Tirri	23 330		2011
Timo Toikkanen[3]	159		2012
Chris Weber	157	5 460	2012
Juha Äkräs	42 794		2010
Kai Öistämö	110 373		2005

(1) Marko Ahtisaari left the Nokia on October 31, 2013 and held 13 377 shares at that time.

(2) Stock options or other equity awards that are deemed as being beneficially owned under applicable SEC rules are not included.

(3) Nokia Leadership Team member will be purchasing shares on the external market in order to meet the shareholding requirements for Nokia Group Leadership Team members.

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Stock Option Ownership of the Nokia Leadership Team

The following table provides certain information relating to stock options held by members of the Nokia Leadership Team as of December 31, 2013. These stock options were issued pursuant to Nokia Stock Option Plans 2007 and 2011. For a description of our stock option plans, please see Note 25 to our consolidated financial statements in Item 18 of this annual report.

Name	Stock Option Category	Expiration Date	Exercise Price Share (EUR)	Number of Stock Options[1]		Total Intrinsic Value of Stock Options December 31, 2013 (EUR)[2]	
				Exercisable	Unexercisable	Exercisable[1]	Unexercisable
Timo Ihamuotila	2008 2Q	December 31, 2013	19.16	0	0	0	0
	2009 2Q	December 31, 2014	11.18	35 000	0	0	0
	2009 4Q	December 31, 2014	8.76	18 750	1 250	0	0
	2010 2Q	December 31, 2015	8.86	56 875	13 125	0	0
	2011 2Q	December 27, 2017	6.02	0	70 000	0	0
	2011 3Q	December 27, 2017	3.76	0	200 000	0	412 000
	2012 2Q	December 27, 2018	2.44	0	150 000	0	507 000
	2013 2Q	December 27, 2019	2.71	0	370 000	0	1 150 700
	2013 4Q	December 27, 2019	5.77	0	50 000	0	2 500
Stephen Elop	2010 4Q	December 31, 2015	7.59	343 750	156 250	0	0
	2011 2Q	December 27, 2017	6.02	0	250 000	0	0
	2011 3Q	December 27, 2017	3.76	0	500 000	0	1 030 000
	2012 2Q	December 27, 2018	2.44	0	700 000	0	2 366 000
	2013 2Q	December 27, 2019	2.71	0	1 800 000	0	5 598 000
Michael Halbherr.	2008 2Q	December 31, 2013	19.16	0	0	0	0
	2009 2Q	December 31, 2014	11.18	7 000	0	0	0
	2010 2Q	December 31, 2015	8.86	5 279	1 221	0	0
	2011 2Q	December 27, 2017	6.02	0	15 000	0	0
	2011 3Q	December 27, 2017	3.76	0	255 000	0	525 300
	2012 2Q	December 27, 2018	2.44	0	150 000	0	507 000
	2013 2Q	December 27, 2019	2.71	0	370 000	0	1 150 700
Jo Harlow	2008 2Q	December 31, 2013	19.16	0	0	0	0
	2009 2Q	December 31, 2014	11.18	5 500	0	0	0
	2010 2Q	December 31, 2015	8.86	20 308	4 692	0	0
	2011 2Q	December 27, 2017	6.02	0	70 000	0	0
	2011 3Q	December 27, 2017	3.76	0	200 000	0	412 000
	2012 2Q	December 27, 2018	2.44	0	150 000	0	507 000
	2013 2Q	December 27, 2019	2.71	0	370 000	0	1 150 700
Louise Pentland	2008 2Q	December 31, 2013	19.16	0	0	0	0
	2009 2Q	December 31, 2014	11.18	12 000	0	0	0
	2010 2Q	December 31, 2015	8.86	24 375	5 625	0	0
	2011 2Q	December 27, 2017	6.02	0	45 000	0	0
	2011 3Q	December 27, 2017	3.76	0	150 000	0	309 000
	2012 2Q	December 27, 2018	2.44	0	115 000	0	388 700
	2013 2Q	December 27, 2019	2.71	0	350 000	0	1 088 500
Juha Putkiranta	2008 2Q	December 31, 2013	19.16	0	0	0	0
	2009 2Q	December 31, 2014	11.18	20 000	0	0	0
	2010 2Q	December 31, 2015	8.86	20 308	4 692	0	0
	2011 2Q	December 27, 2017	6.02	0	27 000	0	0
	2012 2Q	December 27, 2018	2.44	0	50 000	0	169 000
	2012 3Q	December 27, 2018	2.18	0	53 500	0	194 740
	2013 2Q	December 27, 2019	2.71	0	250 000	0	777 500
Henry Tirri	2008 2Q	December 31, 2013	19.16	0	0	0	0

	2009 2Q	December 31, 2014	11.18	12 000	0	0	0
	2010 2Q	December 31, 2015	8.86	16 250	3 750	0	0
	2011 2Q	December 27, 2017	6.02	0	27 000	0	0
	2011 4Q	December 27, 2017	4.84	0	168 000	0	164 640
	2012 2Q						