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, results of operations, financial condition and share price from time to time.

We are a global company and have sales in most countries of the world and, consequently, our sales and profitability are dependent on general economic conditions globally and locally. The impact of the current global economic turmoil and any further deterioration of global economic conditions, as well as the related financial crisis, on us, our customers and end-users of our products, services and solutions, our suppliers and collaborative partners may have a material adverse effect on our business, results of operations and financial condition.

As we are a global company and have sales in most countries of the world, our sales and profitability are dependent on general economic conditions both globally and locally. The mobile communications industry has matured to varying degrees in different markets and, consequently, the industry is more vulnerable than before to the negative impacts of the current difficult global economic conditions. The recent weakening of consumer and corporate confidence, declining income and asset values in many areas and other adverse factors related to the current deteriorating global economic conditions, aggravated by the unprecedented currency volatility, have resulted and may continue to result in our current and potential customers as well as the end-users of our products, services and solutions postponing or reducing spending on our products, services and solutions. For example, many consumers may not upgrade their devices or they may postpone the replacement of their devices or the purchase of their first device due to more limited financial resources or the expectations of lower prices in future; mobile network operators may further reduce the device subsidies that they offer to the end-users or attempt to extend the periods of contracts that obligate the consumer to use a certain device; consumers may be less willing to pay for our consumer Internet services and mobile network operators may invest less in ramping up those services; the demand for map information and other location-based content by automotive and mobile device manufacturers may decline following the contraction of the sales in the automotive and consumer electronics industry; and network operators and service providers may postpone their investments in their network infrastructure and related services.

The global financial crisis has also led to more limited availability of credit which may have a negative impact on the financial condition, and in particular on the purchasing ability, of some of our distributors, independent retailers and network operator customers and may also result in requests for extended payment terms, credit losses, insolvencies, limited ability to respond to demand or diminished sales channels available to us. The general difficult economic conditions combined with tightening credit markets may also 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, services and solutions.

The related currency fluctuations, such as the recent severe volatility in exchanges rates, may also increase the costs of our products, services and solutions that we may not be able to pass on to our customers or impair the purchasing power of our customers in different markets; result in significant competitive benefit to certain of our competitors who 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.

The difficult global economic conditions may also 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 our new market segments and failures to adjust our costs appropriately. Also, continuing difficult general economic conditions, negative developments in our industry, 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 the acquired assets or the strategy for our overall business may cause reductions in the future valuations of our investments and assets and result in impairment charges related to goodwill or other assets. Adverse economic conditions affecting us, our current and potential customers, their spending on our products, services and solutions, and our suppliers and collaborative partners may have a material adverse effect on our business, results of operations and financial condition.

The continuing volatility of the financial market has increased and may continue to increase our costs associated with issuing commercial paper or other debt instruments due to increased spreads over relevant interest rate benchmarks. Also, further negative developments in our business, results of operations and financial condition due to the current difficult global economic conditions or other factors could 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 costs associated with any new debt instruments. The adverse conditions in the financial markets may also result in failures of derivative counterparties or other financial institutions which could have a negative impact on our treasury operations. Further, the deteriorating general economic conditions and continuing volatility of the financial markets may impact our investment portfolio and other assets and result in impairment charges. We currently believe our funding position to be sufficient to meet our operating and capital expenditures in the foreseeable future. However, the adverse developments in the global financial markets could have a material adverse effect on our financial condition and results of operations. 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.

Our sales and profitability depend materially on the development of the mobile and fixed communications industry as well as the growth and profitability of the new market segments that we target and our ability to successfully develop or acquire and market products, services and solutions in those segments. If the mobile and fixed communications industry develop in an adverse manner, or if the new market segments we target and invest in grow less or are less profitable than expected, or if new faster growing market segments emerge in which we have not invested, our business, results of operations and financial condition may be materially adversely affected.

Our sales and profitability depend materially on the development of the mobile communications industry in terms of the number of new mobile subscribers and the number of existing subscribers who upgrade or simply replace their existing mobile devices and the growth of the investments made by mobile network operators and service providers.

The impacts of the deteriorating global economic conditions and the related global decline in consumer and corporate spending have been apparent in varying degrees across all geographical markets since the latter part of 2008.

The mobile device industry is more vulnerable than before to the negative impacts of the current difficult global economic conditions due to increased maturity of the industry evidenced by the extent of mobile device penetration in different markets. In certain low penetration markets, in order to support a continued increase in mobile subscribers, we continue to be dependent on our own and mobile network operators’ and distributors’ ability to increase the sales volumes of lower cost mobile devices and on mobile network operators to offer affordable tariffs and tailored mobile network solutions designed for a low total cost of ownership. In highly penetrated markets, we are more dependent on our own and mobile network operators’ ability to successfully introduce services that drive the upgrade and replacement of devices, as well as ownership of multiple devices. At their current state of development, our services and growth of our services business are dependant on the success and timely launch of our mobile devices which integrate our services, as well as on our customers’ willingness to pay higher prices for such devices, as well as the level of investments by the mobile networks operators to ramp up those services. NAVTEQ is dependent on the development of a wide variety of products and services that use its data, the availability and functionality of such products and services and the rate at which consumers and businesses purchase these products and services. Nokia Siemens Networks is dependent on the pace of the investments made by mobile network operators and service providers. If we and the mobile network operators and distributors are not successful in our attempts to increase subscriber numbers, stimulate increased usage or drive upgrade and replacement sales of mobile devices and develop and increase demand for value-added services, or if mobile network operators and service providers invest in the related infrastructure less than anticipated, our business and results of operations could be materially adversely affected.

The mobile communications industry continues to undergo significant changes in response to the increasing maturity of the industry. Traditional mobile voice communications, the Internet, information technology, media, entertainment, music and consumer electronics industries are converging in some areas into one broader industry. In our devices business, we have made significant investments during the past several years in these market segments, such as smartphones, multimedia computers, enterprise applications, navigation, music, video, TV, imaging, games, as well as certain other services and solutions. In the consumer Internet services market segment, we currently focus our offering on five areas—music, maps, media, messaging and games—which we regard as both having the greatest appeal to consumers and being the most financially viable. We expect to make further investments in these areas, but in an increasingly focused manner. In our network infrastructure business, we expect to continue making investments in enterprise mobility infrastructure as well as managed services, systems integration and consulting businesses. The new market segments may require significant investments to innovate and grow successfully. However, due to our financial targets and need to manage costs and prioritize investments during the current difficult global economic conditions, our further investments in some of the new market segments may be delayed or insufficient to reach or maintain the necessary scale and market position to compete effectively and profitably in the longer term.

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

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

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

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

We experience intense competition in every aspect of our business and across all markets of our products, services and solutions. Participants in our industry compete with each other mainly on the basis of their product, service and solutions portfolio, user experience, design, price, technical performance, operational and manufacturing efficiency, distribution, quality, customer support, brand and marketing. The overall dynamics of our industry are rapidly changing due to numerous factors, including the current difficult global economic conditions, the increasing maturity of our industry and new market segments that are emerging. Mobile device markets are also becoming more segmented and diversified, and we face competition from different mobile device manufacturers at different user segments, price points and geographical markets using different competitive means in each of them. This may make it more difficult for us to compete successfully across the whole mobile device market against more specialized competitors and to leverage our scale to the fullest extent.

The competition continues to be intense from both our traditional competitors in the mobile and fixed communications industry as well as a number of new competitors. Some of our competitors, in particular the new industry entrants, have used, and we expect will continue to use, more aggressive pricing and marketing strategies, different design approaches and alternative technologies. Certain competitors have chosen, and others may choose in the future, to accept significantly lower profit margins than is customary in this industry, which may result in pressures to lower our prices and margins. Further, currency fluctuations may have an adverse impact on our competitive position relative to certain of our competitors who incur a material part of their costs in other currencies than we do. Some of our competitors may also benefit from support from the governments of their home countries and other measures which may have protectionist objectives. In addition, some competitors have chosen to focus on building products and services based on commercially available components and content, which may enable them to introduce those products and services faster and with lower levels of research and development expenditures than Nokia. Additionally, because mobile network operators are increasingly offering mobile devices under their own brand, we face increasing competition from non-branded mobile device manufacturers. In the digital map data and related location-based content business, governmental and various global and local companies as well as quasi-governmental agencies are making more map data information with improving coverage, content and quality available free of charge or at lower prices. Aerial, satellite and other location-based imagery is also becoming increasingly available, all of which may encourage new market entrants and make it less costly and time-consuming for competitors to build a high quality map database. In the network infrastructure business, the strategic decision of Nokia Siemens Networks to focus on deal quality, cost-effectiveness and profitability may, at least in the short-term, have a negative impact on its market share and the related scale benefits. Due to the intensity and diversity of the competition overall, the competitive landscape in our industry or in specific industry segments can change very rapidly.

As a result of developments in our industry, including convergence of mobile device technology with the Internet, and also our consumer Internet services offered on a stand-alone basis in respect to our devices, we also face competition from companies in related industries, such as Internet-based product and service providers, consumer electronics manufacturers, network operators and business device and solution providers, some of which have more scale and experience and a stronger market presence in certain segments such as consumer Internet services. In addition, new companies, primarily consumer electronics manufacturers, have entered the mobile device business. The competitive environment, including the competitive means, of these converged market segments differ from the more established segments within our industry. For example, we face competition from open source software initiatives and consumer Internet service providers who may provide competing software and services for free. Some of the new market segments that we target are still in early stages of development and it may be difficult to predict the main competitors and competitive environment in these market segments. In addition, barriers to entry by new competitors in many of these new segments are low and new products and services, once developed, can be distributed broadly and quickly at relatively low cost. Further, as the industry now includes increasing numbers of participants that provide specific hardware and software layers within products, services and solutions, we also face competition at the level of these layers rather than solely at the level of complete products, services and solutions. In some of these layers, we may have more limited experience and scale than our competitors. If we cannot respond successfully to these competitive developments, our business and results of operations may be materially adversely affected.

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

See Item 4B. “Business Overview—Devices & Services—Competition”, “—NAVTEQ—Competition” and “—Nokia Siemens Networks—Competition” for a more detailed discussion of competition in our industry.

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

We serve a diverse range of mobile device and network infrastructure customers across a variety of markets with different characteristics, dynamics and stages of development. In order to meet our customers’ needs, we need to have a competitive portfolio with products, services and solutions that are preferred to those of our competitors. For our devices, a competitive portfolio means a focused, optimally-sized offering of commercially appealing mobile devices with attractive aesthetics, design and a combination of value-adding functionalities that are easy to discover and use for all major consumer segments and price points designed, as appropriate, for the local requirements and preferences of different markets and supported by the Nokia brand, quality and competitive cost structure. Further, we believe a competitive device product portfolio needs to include leading flagship products, be innovative and ahead of the expectations of the customer and positively differentiated from our competition. For our services, including map data and related content, a competitive portfolio means offering value-added services and content that are easy to access and use, and positively differentiate us from our competition. In Nokia Siemens Networks’ business, a competitive portfolio means a high-quality offering of products, services and solutions based on robust technology and designed to meet the requirements of our customers and local markets, supported by a competitive cost structure and cost-effectiveness to our customers. If we fail to achieve or maintain a competitive portfolio and balance successfully our global portfolio with the local requirements of our customers in the different markets we serve in a cost-effective manner, our business, market share and results of operations may be materially adversely affected.

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

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

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

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

We need to introduce cost-efficient products with new or enhanced functionalities and services and with higher prices in a timely manner and proactively manage the costs related to our products, services and solutions, manufacturing, logistics and other operations and related licensing, including mitigating the impacts of the exchange rate fluctuations related to such costs. If we fail in any of these efforts, this will have a material adverse effect on our business and results of operations, particularly our profitability. We believe that our market share results in economies of scale and, therefore, in a cost advantage for our devices when compared to our competitors. However, currency fluctuations, such as the recent severe volatility in exchange rates, may have an adverse impact on our ability to manage our costs and on our cost advantage relative to certain of our competitors who incur a material part of their costs in other currencies than we do. If we fail to maintain or increase our market share and scale compared to our competitors as well as leverage our scale to the fullest extent or if our costs increase relative to those of our competitors due to currency fluctuations, our relative cost advantage may be eroded, which could materially adversely affect our competitive position, business and our results of operations, particularly our profitability.

We also need to reduce our operating expenses to maintain cost efficiency throughout our operations during the current and currently expected economic conditions. Accordingly, we are targeting a significant reduction in our annualized operating expense run rate through various targeted measures. Any failure by us to determine the appropriate amounts of operating expense savings needed, to identify and implement the appropriate cost reduction measures on a timely basis to meet the targeted operating expense savings, or to otherwise adjust our costs to the current and currently expected difficult economic conditions could have a material adverse effect on our business, results of operations and financial condition. Further, if our net sales continue to decline in the future, it may have an adverse effect on our scale benefits and increase the relative share of our fixed costs, which may decrease our flexibility to adjust our cost base to reflect changes in the business environment. Any failure by us to appropriately maintain or improve our cost-efficiency or adjust our costs to the current and currently expected difficult economic conditions could have a material adverse effect on our financial condition and results of operations.

The products, services and solutions we offer are subject to natural price erosion over their life cycle. In addition, the average selling price of our devices has declined during recent years and it may continue to decline in the future, in particular as some of our customers may trade down to lower-priced devices as a result of the current difficult global economic conditions. Also, some of our competitors may continue to reduce their prices resulting in significantly lower profit margins than is customary in this industry. The factors impacting the average selling price of our devices include the extent to which our product mix is weighted towards lower-priced products and our regional mix is weighted towards emerging markets where lower-priced products predominate. Further, there is continuing demand for mobile devices with new or enhanced functionalities and services while the prices of those products must remain competitive. In order to be profitable, we need to be able to lower our costs at the same rate or faster than the price erosion and declining average selling price of our devices.

Our 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, the Chinese yuan and the UK pound sterling, 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. Recent extreme volatility in the exchange rates combined with decreased liquidity of the global financial markets have increased our hedging costs, as well as limited our ability to hedge our exchange rate exposure in particular against unfavorable movements in the exchange rates of certain emerging market currencies. Exchange rate fluctuations may have an adverse affect on our sales, costs and results of operations, as well as our competitive position, particularly if the extreme volatility experienced in recent months continues. Exchange rate fluctuations may also make our pricing more difficult as our products may be re-routed by the distribution channels for sale to consumers in other geographic areas where sales can be made at more favorable rates by those channels. 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 depend on a limited number of suppliers for the timely delivery of sufficient amounts of fully functional components, sub-assemblies, software and content and for their compliance with our supplier requirements, such as our own and our customers’ product quality, safety, security and other standards. Their failure to deliver or meet those requirements could materially adversely affect our ability to deliver our products, services and solutions successfully and on time.

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

In some cases, our dependence on third-party suppliers has increased as a result of our strategic decisions to outsource certain activities, for example parts of our own chipset R&D and to expand the use of commercially available chipsets. In addition, a particular component may be available only from a limited number of suppliers. Suppliers may from time to time extend lead times, limit supplies, increase prices or be unable to increase supplies to meet increased demand due to capacity constraints or other factors, which could adversely affect our ability to deliver our products, services and solutions on a timely basis. Moreover, a supplier may fail to meet our supplier requirements, such as, most notably, our and our customers' product quality, safety, security and other standards, and consequently some of our products or services 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 or recalled. 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 the current difficult economic conditions and the related global financial crisis. Due to our high volumes, any of these events, or mere allegation of failures in our products, services and solutions, could delay our successful and timely delivery of products, services and solutions that meet our and our customers' quality, safety, security and other requirements, or otherwise materially adversely affect our sales and results of operations or our reputation and brand value. See Item 4B. "Business Overview—Devices & Services—Markets—Demand Supply Network Management " and "Nokia Siemens Networks—Production" for a more detailed discussion of our production activities.

Possible consolidation among our suppliers could potentially result in larger suppliers with stronger bargaining power and limit the choice of alternative suppliers, which could lead to an increase in the cost, or limit the availability, of components that may materially adversely affect our sales and results of operations. The intensive competition among our suppliers and their consequently reduced profitability as well as the recently reduced demand for components and sub-assemblies may further the exits of certain suppliers from our industry and decrease the ability of some suppliers to invest in the innovation that is vital for our business. Further, our dependence on a limited number of suppliers that require purchases in the same foreign currency increases our exposure to fluctuations in the exchange rate between the euro, our reporting currency, and such foreign currency and, consequently, may increase our costs which we may not be able to pass on to our customers.

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

We must timely and successfully develop or otherwise acquire the appropriate technologies to use in our business. If we fail to develop or otherwise acquire these technologies as required by the market, or to successfully commercialize such technologies as new advanced products, services and solutions that meet customer demand, or fail to do so on a timely basis, this may have a material adverse effect on our business and results of operations.

In order to succeed in our markets, we believe that we must timely and successfully develop or otherwise acquire the appropriate technologies and commercialize such technologies as new advanced products. However, the development and use of complex, evolving technologies, applications and technology platforms for our mobile devices, services and software and networks infrastructure products involve time, substantial costs and risks, both within and outside of our control. We must also be able to convert these complex technologies into affordable and usable products, services and solutions that our current and potential customers prefer over those of our competitors. This is true regardless of whether we develop these technologies internally, acquire or invest in other companies with these technologies or collaborate with third parties on the development of these technologies.

The technologies, applications and technology platforms as well as functionalities, features and services on which we choose to focus may not achieve or retain as broad or timely market acceptance as we expect. This may result from numerous factors, including the availability of more attractive alternatives and a lack of sufficient compatibility with other existing technologies, products, services and solutions or regulators' decisions. However, we can only focus on a limited number of technologies. By choosing to focus on certain technologies, we may forego alternatives achieving broader acceptance in our overall market or in certain parts of it. Additionally, even if we do select the technologies, functionalities, features and services that customers ultimately want, we or the companies that work with us may not be able to bring them to the market at the right time. We may also face difficulties accessing the technologies preferred by our current and potential customers, or at prices acceptable to them.

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

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

Our products, services and solutions are highly complex, and defects in their design, manufacture and associated software have occurred and may occur in the future. Quality issues are emphasized in our devices and services business due to very high production volumes of many of our devices, as a result of which even a single defect in their design, manufacture or associated software may have a material adverse effect on our business. Further, our device portfolio is subject to continuous renewal which, in particular during the periods of large product renewals, may increase the risk of the quality issues related to our new devices. In the network infrastructure business, the undisturbed functioning of large mobile and fixed telecommunications networks may depend on the proper functioning of our products. We make provisions to cover our estimated warranty costs for our products, services and solutions. We believe that our provisions are appropriate, although the ultimate outcome may differ from the provided level which could have a positive or negative impact on our results of operations and financial condition.

Defects and other quality issues may result from, among other things, failures in our own product creation and manufacturing processes or failures of our suppliers to comply with our supplier requirements. Prior to the shipment, quality issues may cause failures in ramping up the production of our products and shipping them to the customers in a timely manner as well as related additional costs or even cancellation of orders by customers. After shipment, products may fail to meet marketing expectations set for them, may malfunction or may contain security vulnerabilities, and thus cause additional repair, product replacement, recall or warranty costs to us and harm our reputation. In case of issues affecting a product's safety, regulatory compliance or security, we may be subject to damages due to product liability, or defective products or components may need to be replaced or recalled.

Although we endeavor to develop products, services and solutions that meet the appropriate security standards, such as data protection, we or our products, services and solutions may be subject to 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 end-users of our products, services and solutions. This may affect us disproportionately due to our leading market position in mobile devices, many of which feature industry leading third-party software solutions and services, as hackers tend to focus their efforts on the most popular products, services and solutions. Loss, improper disclosure or leakage of personal or other consumer data collected by us, made available to us or stored to or through our products and services could result in liability to us and harm our reputation and brand. Even perceptions that our products, services or solutions do not adequately protect personal or other information collected by us, made available to us or stored in or through our products, services and solutions could impair their sales.

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

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

We generate sales from and have manufacturing facilities located in various emerging market countries. Sales from these countries represent a significant portion of our total sales and these countries represent a significant portion of any expected industry growth. Accordingly, economic or political turmoil in these countries could materially adversely affect our sales and results of operations and the supply of devices and network infrastructure equipment manufactured in these countries. Further, the economic conditions in emerging market countries may be more volatile than in developed countries and the purchasing power of our customers in those countries depends to a greater extent on the price development of basic commodities, many of which have recently been subject to significant volatility, and currency fluctuations which may render imported products too expensive to afford. Our business and investments in emerging market countries may also be subject to risks and uncertainties, including unfavorable taxation treatment, exchange controls, challenges in protecting our intellectual property rights, nationalization, inflation, currency fluctuations, or the absence of, or unexpected changes in, regulation as well as other unforeseeable operational risks. See Note 2 to our consolidated financial statements included in Item 18 of this annual report for more detailed information on geographic location of net sales to external customers, segment assets and capital expenditures.

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

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 various types of regulations, their application and trade policies applicable to current or new technologies, products or services 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 these networks. Export control, tariffs or other fees or levies imposed on our products, environmental, product safety and security and other regulations that adversely affect the export, import, pricing or costs of our products, services and solutions, as well as new services related to our products, could also adversely affect our sales and results of operations. For example, copyright collecting societies in several member states of the European Union claim that due to their capability to play and store copyrighted content, mobile devices should be subject to similar copyright levies that are charged for products such as compact disc, digital video disc or digital audio players. Also, the European Commission is considering measures that would require the member states of the European Union to levy import duties for high-end mobile devices and their components which, if eventually taken, could potentially result in similar counter-measures by the other countries outside the European Union. Any new or increased levies and duties could result in costs which we may not be able to pass on to our customers or higher prices for our products, services and solutions which may impair their demand.

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, services and solutions. In addition to changes in regulation and trade policies, our business may be adversely affected by local business culture and general practices in some regions that are contrary to our code of conduct. 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 the host governments in different countries may take, particularly in response to the current difficult global economic conditions.

See Item 4B. “Business Overview—Government Regulation—Devices & Services, NAVTEQ and Nokia Siemens Networks” for a more discussion about the impact of various regulations.

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

We invite the providers of technology, components or software to work with us to develop technologies or new products, services and solutions. These arrangements involve the commitment by each company of various resources, including technology, research and development efforts, and personnel. Our ability to collaborate successfully is increasingly important in our new markets segments, such as consumer Internet services and with the open source software communities. Although the objective of the collaborative arrangements is a mutually beneficial outcome for each party, our ability to introduce new products, services and solutions that meet our and our customers’ quality, safety, security and other standards successfully and on schedule could be hampered if, for example, any of the following risks were to materialize: we fail to choose the right companies as our partners or we are unable to collaborate effectively to reach the targets set for the collaboration; the arrangements with the companies that work with us do not develop as expected; the technologies provided by the companies that work with us are not sufficiently protected or infringe third parties’ intellectual property rights in a way that we cannot foresee or prevent; the technologies, products, services or solutions supplied by the companies that work with us do not meet the required quality, safety, security and other standards or customer needs; our own quality controls fail; or the financial condition of our collaborative partners deteriorates which may result in insolvency or closure of the business of such partners. Further, the current difficult global economic conditions and the related financial crisis may decrease the number of collaborative partners and limit the ability of the remaining collaborative partners to invest in their technologies, products, services or solutions. Any of these events could materially adversely affect our sales and results of operations.

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

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

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

Our products, services and solutions include increasingly complex technologies, some of which have been developed by us or licensed to us by third parties. As the amount of such proprietary technologies and the number of parties claiming intellectual property rights continues to increase, even within individual products, as the range of our products, services and solutions becomes more diversified and we enter new businesses, and as the complexity of the technology increases, the possibility of alleged infringement and related intellectual property claims against us continues to rise. The holders of patents and other intellectual property rights potentially relevant to our products and solutions may be unknown to us, may have different business models, or may otherwise make it difficult for us to acquire a license on commercially acceptable terms. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by others which could impair our ability to rely on such technologies. In addition, although we endeavor to ensure that companies that work with us possess appropriate intellectual property rights or licenses, we cannot fully avoid risks of intellectual property rights infringement created by suppliers of components and various layers in our products, services and solutions or by companies with which we work in cooperative research and development activities. Similarly, we and our customers may face claims of infringement in connection with our customers' use of our products, services and solutions.

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

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

From time to time, some existing patent licenses may expire or otherwise become subject to renegotiation. The inability to renew or finalize such arrangements with acceptable commercial terms may result in costly and time-consuming litigation, and any adverse result in any such litigation may lead to restrictions on our ability to sell certain products, services or solutions, and could result in payments that potentially could have a material adverse effect on our operating results 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, services and solutions, require us to pay increased licensing fees, substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on our business, results of operations and financial condition.

We make accruals and provisions to cover our estimated total direct IPR costs for our products, services and solutions. The total direct IPR cost consists of actual payments to licensors, accrued expenses under existing agreements and provisions for potential liabilities. We believe that our accruals and provisions are appropriate for all technologies 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, services and solutions due to expected or alleged infringements of third-party intellectual property rights and any intellectual property rights claims, regardless of merit, could result in material losses of profits, costly litigation, the payment of damages and other compensation, the diversion of the attention of our personnel, product shipment delays or the need for us to develop non-infringing technology or to enter into a licensing agreement. If licensing agreements were not available or available on commercially acceptable terms, we could be precluded from making and selling the affected products, services and solutions or could face increased licensing costs. As new features are added to our products, services and solutions, we may need to acquire further licenses, including from new and sometimes unidentified owners of intellectual property. The cumulative costs of obtaining any necessary licenses are difficult to predict and may over time have a negative effect on our operating results. See Item 4B. "Business

Overview—Devices & Services—Patents and Licenses", "—NAVTEQ—Patents and Licenses" and "—Nokia Siemens Networks—Patents and Licenses" for a more detailed discussion of our intellectual property activities.

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

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

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

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

Our operations rely to a significant degree on the efficient and uninterrupted operation of complex and centralized information technology systems and networks, which are integrated with those of third parties. All information technology systems are potentially vulnerable to damage, malfunction or interruption from a variety of sources. 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 utilized by any of our information technology systems, attack by a virus or other event that leads to an unanticipated interruption or malfunction of our information technology systems or networks could have a material adverse effect on our business and results of operations. Furthermore, any data leakages resulting from information technology security breaches could also materially adversely affect us. Also, failures to successfully utilize information technology systems and networks in our operations may impair our operational efficiency or competitiveness which could have a material adverse effect to our business and results of operations.

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

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

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

Customers in some markets sometimes require their suppliers, including us, to arrange or provide financing in order to obtain sales or business. Moreover, they may require extended payment terms. In some cases, the amounts and duration of these financings and trade credits, and the associated impact on our working capital, may be significant. In response to the recent tightening of the credit markets, requests for customer financing are beginning to increase in volume and scope. We do not, however, currently intend to significantly increase financing 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 to our customers and provide financing and extended payment terms to a small number of selected customers. Extended payment terms may continue to result in a material aggregate amount of trade credits, but the associated risk is mitigated by the fact that the portfolio relates to a variety of customers. We cannot guarantee that we will be successful in arranging, facilitating and providing needed financing to customers particularly in the current difficult financial markets. Also, our ability to manage our total customer finance and trade credit exposure depends on a number of factors, including our capital structure, market conditions affecting our customers, the level and terms of credit available to us and our ability to mitigate exposure on acceptable terms. We may not be successful in managing the challenges connected with the total customer financing and trade credit exposure that we may have from time to time. Defaults under financings and trade credits to our customers resulting in impairment charges and credit losses have increased recently, and may continue to increase in the future, due to the current difficult global economic conditions. 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 we are unable to retain, motivate, develop and recruit appropriately skilled employees, our ability to implement our strategies may be hampered and, consequently, that may have a material adverse effect on our business and results of operations.

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

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

Public prosecutors and other government authorities in several jurisdictions have been conducting and in some jurisdictions are continuing to conduct criminal and other investigations with respect to whether certain transactions and payments arranged by some current or former employees of Siemens relating to the carrier-related operations for fixed and mobile networks that were transferred to Nokia Siemens Networks were unlawful. These investigations are part of substantial transactions and payments involving Siemens' former Com business and other Siemens' business groups which were and are still under investigation.

In December 2008, legal proceedings and government investigations against Siemens were concluded in Germany and settled in the United States. To resolve these legal matters, Siemens agreed to pay a fine of EUR 395 million to German authorities, in addition to the EUR 201 million fine previously paid, and to pay a criminal fine of USD 450 million to the US Department of Justice and to disgorge profits of USD 350 million to the US Securities and Exchange Commission for criminal and civil violations of the US Foreign Corrupt Practices Act. The investigations of employees of Siemens and other individuals remain unresolved by these settlements. To date, none of the fines imposed on Siemens has applied to Nokia Siemens Networks or Nokia. It is not possible at this time to predict whether other government authorities will take further actions and if they do what they might be and the extent to which such actions might apply to or affect Nokia Siemens Networks or Nokia.

The internal review by Nokia Siemens Networks and Nokia is complete. Siemens has informed us that its own investigation is also complete. Although the government investigations of Siemens by German and United States authorities have been concluded and resolved, investigations in other countries continue, as well as investigations of Siemens employees and other individuals. Accordingly, until these investigations are complete and the matter resolved, it is not possible to ensure that Siemens employees who may have been involved in the alleged violations of law were not transferred to Nokia Siemens Networks. Nor is it possible to predict the extent to which there may be undetected additional violations of law that may have occurred prior to the transfer that could result in additional investigations or actions by government authorities. Such actions have, and could include criminal and civil fines, tax liability, as well as other penalties and sanctions. It is also not possible to predict whether there have been any ongoing violations of law after the formation of Nokia Siemens Networks involving the assets and employees of the Siemens carrier-related operations that could result in additional actions by government authorities. The development of any of these situations could have a material adverse effect on Nokia Siemens Networks and our reputation, business, results of operations and financial condition. In addition, detecting, investigating and resolving such situations have been, and might continue to be, expensive and consume significant time, attention and resources of Nokia Siemens Networks and our management, which could harm our business and that of Nokia Siemens Networks.

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

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

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

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

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

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

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

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

Over the past eight years Nokia has been involved in several class action matters alleging that Nokia and other manufacturers and cellular service providers failed to properly warn consumers of alleged potential adverse health effects and failed to include headsets with every handset to reduce the potential for alleged adverse health effects. All but one of these cases have been withdrawn or dismissed, with one dismissal currently on appeal. The remaining pending case is currently the subject of a motion to dismiss. In addition, Nokia and other mobile device manufacturers and cellular