For the year ended December 31:	Exchange Rates Rate at period end	Average rate	Highest rate	Lowest rate
	(USD per EUR)			
2002	1.0485	0.9495	1.0485	0.8594
2003	1.2597	1.1411	1.2597	1.0361
2004	1.3538	1.2478	1.3625	1.1801
2005	1.1842	1.2400	1.3476	1.1667
2006	1.3197	1.2661	1.3327	1.1860
For the month ended:				
September 30, 2006	1.2687	1.2722	1.2833	1.2648
October 31, 2006	1.2773	1.2617	1.2773	1.2502
November 30, 2006	1.3261	1.2888	1.3261	1.2705
December 31, 2006	1.3197	1.3205	1.3327	1.3073
January 31, 2007	1.2998	1.2993	1.3286	1.2904
February 28, 2007	1.3230	1.3080	1.3246	1.2933

On February 28, 2007, the noon buying rate was USD 1.3230 per EUR 1.00.

3.B Capitalization and Indebtedness

Not applicable.

3.C Reasons for the Offer and Use of Proceeds

Not applicable.

3.D Risk Factors

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

We need to have a competitive product portfolio with products that are preferred by our current and potential customers to those of our competitors. In order to have this, we need to understand the different markets in which we operate, and meet the needs of our customers, which include mobile network operators, distributors, independent retailers, corporate customers and consumers. Our failure to identify key market trends and to respond timely and successfully to the needs of our customers may have a material adverse impact on our market share, business and results of operations.

In order to meet our customers' needs, we need to have a competitive product portfolio with products that are preferred to those of our competitors. For Nokia, a competitive mobile device product portfolio means a broad and balanced offering of commercially appealing mobile devices with attractive aesthetics, design, features and functionality for all major consumer segments and price points supported by the Nokia brand, quality and competitive cost structure. In our networks business, a competitive product portfolio means for us a high-quality offering of products designed to meet the requirements of our customers and local markets, supported by quality and a competitive cost structure.

In order to have a competitive product portfolio, we need to understand the different markets in which we operate and meet the needs of our customers. We serve a diverse range of mobile device and infrastructure customers, ranging from mobile network operators, distributors, independent retailers, corporate customers to consumers, across a variety of markets. In many of these markets, the mobile communications industry is at different stages of development, and many of these markets have different characteristics and dynamics, for example, in terms of mobile penetration rates and technology, aesthetics, feature, and pricing preferences. Establishing and maintaining good relationships with our customers, including both our mobile device and networks infrastructure customers and end-users, and understanding trends and needs in their markets require us to constantly obtain and evaluate a complex array of feedback and other data. We must do this efficiently in order to be able to identify key market trends and user segments and anticipate and address our customers' needs proactively and in a timely manner, for example through launching our products at optimal times to meet customer requirements and preferences, while taking into account the availability of competitors' products. If we fail to analyze correctly and respond timely and appropriately to customer feedback and other data, our market share and business 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. This is particularly the case in Latin America and North America where sales to mobile network operators represent the major percentage of our sales. As a result, we may need to produce mobile devices for such markets in smaller lot sizes, which could impede our economies of scale and expected profitability. In addition, co-branding could possibly erode the Nokia brand.

The competitiveness of our product portfolio is also influenced by our ability to communicate about our products and 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 and solutions, may have a negative effect on our reputation and erode the value of the Nokia brand. Prior to the shipment of the products, quality issues may cause delays in shipping products to customers and related additional costs or even cancellation of orders by customers. After shipment to our customers or consumers, products may fail to meet marketing expectations set for them or may malfunction, and thus cause additional repair or warranty costs to us and harm our reputation. 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 may need to be replaced or recalled. Due to our high volumes, quality issues or defects in our products or their components may have a significant adverse effect on our net sales and profitability. If we do not achieve and maintain a competitive portfolio, we believe that we will be at a competitive disadvantage, which may lead to lower net sales and lower profits.

Our sales and profitability depend on the continued growth of the mobile communications industry, as well as the growth and profitability of the new market segments within that industry which we target. If the mobile communications industry does not grow as we expect, or if the new market segments which we target grow less or are less profitable than expected, or if new faster growing market segments emerge in which we have not invested, our sales and profitability may be materially adversely affected.

Our business depends on continued growth of the mobile communications industry in terms of, to an increasing degree, the number of existing mobile subscribers who upgrade or simply replace their existing mobile devices, and also the number of new subscribers and increased usage. Our sales and profitability are also affected by the extent to which there is increasing demand for, and development of, value-added services, leading to opportunities for us to successfully market mobile devices that feature those services. These developments in our industry are to a certain extent outside of our control. For example, we are dependent on mobile network operators in highly penetrated markets to successfully introduce services that drive the upgrade and replacement of devices, as well as ownership of multiple devices. Further, in order to support a continued increase in mobile subscribers in certain low penetration markets, we are dependent on mobile network operators and distributors to increase their sales volumes of lower cost mobile devices, and on mobile network operators to offer affordable tariffs and to offer tailored mobile network solutions designed for a low total cost of ownership. If mobile network operators are not successful in their attempts to increase subscriber numbers, stimulate increased usage or drive upgrade and replacement sales, our business and results of operations could be materially adversely affected.

Our industry continues to undergo significant changes. First, the mobile communications, the Internet, information technology, media, entertainment, music, and consumer electronics industries are converging in some areas into one broader industry leading to the creation of new mobile devices, services and ways to use mobile devices. Second, while participants in the mobile communications industry once provided complete products and solutions, industry players are increasingly providing specific hardware and software layers, including various services, for products and solutions.

As a result of these changes, new market segments within our industry have emerged and are still emerging. We have made significant investments in new business opportunities in certain of these market segments, such as smartphones, multimedia computers, enterprise applications, music, navigation, video, TV, imaging, games and business mobility in our device businesses, and enterprise mobility infrastructure as well as managed services, systems integration and consulting businesses in our infrastructure business. However, a number of the new market segments in the mobile communications industry are still in the early stages of development, and it may be difficult for us to accurately predict which new market segments are the most advantageous for us to focus on. As a result, if the segments which we target grow less than expected, we may not receive a return on our investment as soon as we expect, or at all. We may also forego growth opportunities in new market segments of the mobile communications industry on which we do not focus. Moreover, the market segments that we target may be less profitable than we currently foresee. We may also incur short-term operating losses in certain of these new market segments if we are not able to generate sufficient revenue to cover the early stage investments required to pursue these new business opportunities. Our past performance in our established market segments does not guarantee our success in these new market segments.

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 and operations.

Price erosion is a characteristic of the mobile communications industry, and the products and solutions offered by us are also subject to natural price erosion over time. Other factors impacting our profitability 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.

As a result of the above factors, 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 introduce new cost-efficient products with higher prices in a timely manner, generally proactively manage costs related to our products, manufacturing, logistics and other operations, and related licensing, as well as leverage our scale to the fullest extent. If we are unable to do this, this will have a material adverse effect on our business and results of operations, particularly our profitability.

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

The markets for our products and solutions are intensely competitive. Industry participants compete with each other mainly on the basis of the breadth and depth of their product portfolios, design, price, operational and manufacturing efficiency, technical performance, distribution, product features, quality, customer support and brand. The competition continues to be intense from both our traditional competitors in the mobile communications industry as well as a number of new competitors. Some of these competitors have used, and we expect will continue to use, more aggressive pricing strategies, different design approaches and alternative technologies. In addition, some competitors have chosen to focus on building products based on commercially available components, which may enable them to introduce these products faster and with lower levels of research and development spending than Nokia.

We believe that Nokia has a cost advantage in mobile devices compared to our competitors as a result of our market position. If we fail to maintain or increase our market share and scale compared to our competitors, our cost advantage may be eroded, which could materially adversely affect our competitive position and our results of operations, particularly our profitability.

Consolidation among the industry participants, including also further concentration of the market on fewer industry participants, could potentially result in stronger competitors that are better able to compete as end-to-end suppliers as well as competitors who are more specialized in particular areas. This could have a material adverse effect on our business and results of operations.

As a result of developments in our industry, including convergence of mobile phone technology with the Internet, we also face new competition from companies in related industries, such as Internet-based products and services, consumer electronics manufacturers and business device and solution providers. Additionally, because mobile network operators are increasingly offering mobile devices under their own brand, we face increasing competition from non-branded mobile device manufacturers. Further, as the industry now includes increasing numbers of participants that provide specific hardware and software layers within products and solutions, we face competition at the level of these layers rather than solely at the level of complete products and solutions. If we cannot respond successfully to these competitive developments, our business and results of operations may be materially adversely affected. See “Item 4.B Business Overview—Competition” for a more detailed discussion of competition in our industry.

We must develop or otherwise acquire complex, evolving technologies to use in our business. If we fail to develop or otherwise acquire these complex technologies as required by the market, with full rights needed to use in our business, or to protect them, or to successfully commercialize such technologies as new advanced products 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, our ability to meet our targets and our results of operations.

In order to succeed in our markets, we believe that we must develop or otherwise acquire complex, evolving technologies to use in our business. However, the development and use of new technologies, applications and technology platforms for our mobile devices 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. This is true whether we develop these technologies internally, acquire or invest in other companies with these technologies or collaborate with third parties on the development of these technologies. In addition, we seek to protect our technology investments with intellectual property rights. When doing this, our business is influenced by the regulatory and legal environments’ approach to intellectual property rights, including the scope and degree of patent protection as well as copyright levies which vary country by country.

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

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

Furthermore, as a result of ongoing technological developments, our products and solutions are increasingly used together with hardware or software components that have been developed by third parties, whether or not Nokia has authorized their use with our products and solutions.

However, such components, such as batteries or software applications, may not be compatible with our products 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 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 and solutions with incompatible or otherwise substandard hardware or software components, or for purposes that are inappropriate, is largely outside of our control and could harm the Nokia brand.

In our networks business, we are developing a number of network infrastructure solutions incorporating advanced technologies. Currently, our networks business designs and builds networks based primarily on GSM, EDGE and 3G/WCDMA technologies. Although we believe that these are currently the leading mobile communications technology platforms, this may not always be the case, due to operators' choices or regulators' decisions. Our networks business' sales and operating results may be adversely affected if these technologies or subsequent new technologies on which we focus do not achieve as broad acceptance among customers as we expect, or if we fail to adapt to different technology platforms that emerge over time.

Currently expected benefits and synergies from forming Nokia Siemens Networks may not be achieved to the extent or within the time period that is currently anticipated. We may also encounter costs and difficulties in integrating our networks operations, personnel and supporting activities and those of Siemens, which could reduce or delay the realization of anticipated net sales, cost savings and operational benefits.

In June 2006, Nokia and Siemens AG ("Siemens") announced plans to form Nokia Siemens Networks that will combine Nokia's networks business and Siemens' carrier-related operations for fixed and mobile networks in a new company owned approximately 50% by each of Nokia and Siemens and consolidated by Nokia. Nokia Siemens Networks is expected to start operations around the end of March 2007. The completion of the transaction is subject to the satisfaction or waiver of the conditions to the merger, including achievement of agreement between Nokia and Siemens on the results and consequences of a Siemens compliance review, and the agreement of a number of detailed implementation steps. For more information on Nokia Siemens Networks, see "Item 4.B Business Overview—Nokia Siemens Networks."

Achieving the expected benefits and synergies of this combination will depend, in part, upon whether the operations, personnel and supporting activities of Nokia's networks business and those of Siemens' carrier-related operations for fixed and mobile networks can be integrated in an efficient and effective manner. The process of effectively integrating these businesses into one company will require significant managerial and financial resources and may divert the management's attention from other business activities. The costs and time required to integrate these businesses into one company could cause the interruption of, or a loss of momentum in, the activities of any one, or several, of the operations of the constituent entities. The failure to successfully integrate these businesses within the expected time frame could adversely affect our business, financial condition and results of operations.

In addition to all the applicable other risks included in this "Item 3.D Risk factors", Nokia Siemens Networks may also expose us to certain additional risks, including difficulties arising from operating a significantly larger and more complex organization and adding operations to our existing operations. Further, unexpected costs and challenges may arise whenever businesses with different operations, management and culture are combined.

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

Prosecutorial investigations are being conducted by authorities in Germany and certain other countries with respect to whether certain transactions and payments arranged by some current or former employees of Siemens' Com business group, covering the carrier-related operations for fixed and mobile networks to be transferred to Nokia Siemens Networks, violated applicable laws. We understand that Siemens has voluntarily informed the SEC and the US Department of Justice about this matter. As well, additional government authorities in these or other jurisdictions could launch separate investigations. If any of these government authorities determines that violations of law have occurred, including violations of the US Foreign Corrupt Practices Act, they may take action against Siemens and/or some of its employees. These actions could include criminal and civil fines, penalties, sanctions, injunctions against future conduct, equitable remedies including profit disgorgement, disqualifications from engaging in certain types of business or other restrictions, as well as requiring modifications to Siemens' business practices and compliance programs. We understand that Siemens is cooperating with the various government authorities. It is not possible at this time to predict whether such government authorities will take such action and if they do what it might be and the extent to which such action might apply to the assets and employees transferred by Siemens to Nokia Siemens Networks.

The government investigations and Siemens' and Nokia's own internal investigations into these alleged violations of law by some current or former Siemens' employees are ongoing. Accordingly, it is not possible to ensure that at the time of the closing of the merger certain Siemens employees who may have been involved in the alleged violations of law are 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 of the carrier-related assets and employees to Nokia Siemens Networks that could result in additional actions by government authorities. It is also not possible to predict whether there may be any ongoing violations of law after such transfer and the closing of the merger 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 business, results of operations, financial condition and reputation. In addition, detecting, investigating and resolving such situations could 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 could also harm Nokia Siemens Networks' relationships with existing customers, impair its ability to obtain new customers, business partners and public procurement contracts and result in the cancellation or renegotiation of existing contracts on terms less favorable than currently exist. To the extent certain Siemens carrier-related customer relationships involved payments and transactions in violation of applicable law, it is not possible to predict whether such relationships would 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.

From its inception, Nokia Siemens Networks will have a comprehensive and robust compliance program and internal financial controls designed to ensure the highest standards of reporting and compliance with all applicable laws. 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 any investigations related to this matter, when and the terms upon which the various investigations will be resolved, which could be a number of years, or the consequences of the alleged or any possible future violations of law on the business of Nokia Siemens Networks, including its relationships with customers.

Our products and solutions include increasingly complex technologies some of which have been developed 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 and solution offerings, and/or costly and time-consuming litigation, which could have a material adverse effect on our business and results of operations.

Our products and solutions include increasingly complex technologies some of which have been developed 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, and as the Nokia product range becomes more diversified and Nokia enters 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 product and solution offerings 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 damage 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 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 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 an adverse effect on the cost or timing of content related services by us, 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, those 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 may result in the future. While the rules of many standard setting bodies, such as European Telecommunication Standardization Institute (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 may 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 or solutions, and could result in payments that potentially could have a material adverse impact on our operating results. Nokia is currently in negotiation regarding the applicable license fees for a subset of Qualcomm Incorporated's ("Qualcomm" including its affiliates) patents and access for Qualcomm to a subset of Nokia patents due to an expiration in part of the current license agreement between the parties on April 9, 2007. Our general experience is that these kind of negotiations eventually are successfully concluded, however, there is a risk that litigation will create uncertainty regarding the license fees. During the time period from expiration of the payment obligations until we reach an agreement on new license fees, we would accrue for and expense an appropriate royalty. However, from a cash flow perspective, the cash payments to Qualcomm would most likely decrease or cease until we reach an agreement. The ultimate outcome may differ from the provided level which could have a positive or negative impact on our operating results. In addition, there is a risk that once the ultimate outcome is available, it may have a negative impact on our cash flow.

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

Our products and solutions include numerous new Nokia 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 results of operations

Our products and solutions include numerous new Nokia patented and other 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 illegally infringe our intellectual property relating to our non-licensable proprietary features or third parties may also infringe our intellectual property 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 Nokia. Other companies may commence actions seeking to establish the invalidity of our intellectual property, for example, patent rights. In the event that one or more of our patents are challenged, a court may invalidate the patent or determine that the patent is not enforceable, which could harm our competitive position. Also, if any of our key patents are invalidated, or if the scope of the claims in any of these patents is limited by a court decision, we could be prevented from using such patent as a basis for product differentiation or from licensing the invalidated or limited portion of our intellectual property rights, or we could lose part or all of the leverage we have in terms of our own intellectual property rights portfolio. Even if such a patent challenge is not successful, it could be expensive and time-consuming, divert management attention 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 R&D, which may have a negative effect on our results of operations. See “Item 4.B Business Overview—Patents and Licenses” for a more detailed discussion of our intellectual property activities.

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

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 manufacturing efficiency and flexibility. We may experience difficulties in adapting our supply to meet the demand for our products, ramping up or down production at our facilities as needed, maintaining an optimal inventory level, adopting new manufacturing processes, finding the most timely way to develop the best technical solutions for new products, managing the increasingly complex manufacturing process for our high-end products, particularly the software for these high-end products, or achieving manufacturing efficiency and flexibility, whether we manufacture our products and solutions ourselves or outsource to third parties. 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. Also, a failure or an interruption could occur at any stage of our product creation, manufacturing and delivery processes, resulting in our products and solutions not meeting our and our customers’ quality, safety, security and other requirements, or being delivered late compared to our own estimates or customer requirements, which could have a material adverse effect on our business, our results of operations and reputation, and the value of the Nokia brand.

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

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

In addition, a particular component may be available only from a limited number of suppliers. Suppliers may from time to time extend lead times, limit supplies or increase prices due to capacity constraints or other factors, which could adversely affect our ability to deliver our products and solutions on a timely basis. Moreover, a component supplier may fail to meet our supplier requirements, such as, most notably, our and our customers' product quality, safety, security and other standards, and consequently some of our products may be unacceptable to us and our customers, or may fail to meet our own quality controls. In addition, a component supplier may experience delays or disruption to its manufacturing processes or financial difficulties. Any of these events could delay our successful delivery of products and solutions that meet our and our customers' quality, safety, security and other requirements, or otherwise materially adversely affect our sales and our results of operations. Also, our reputation and brand value may be materially adversely affected due to real or merely alleged failures in our products and solutions. See "Item 4.B Business Overview—Production" for a more detailed discussion about 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 profitability.

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 and solutions on a timely basis, which may materially adversely affect our sales and profitability.

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

Large multi-year contracts, which are typical in the networks industry, include a risk that the timing of sales and results of operations associated with these contracts will differ from what was expected when we first entered into such contracts. Moreover, such contracts usually require the dedication of substantial amounts of working capital and other resources, which impacts our cash flow negatively. Any non-performance by us under these contracts may have significant adverse consequences for us because network operators have demanded and may continue to demand stringent contract undertakings, such as penalties for contract violations.

Furthermore, the number of our customers may diminish due to operator consolidation. This will increase our reliance on fewer larger customers, which may negatively impact our bargaining position, sales and profitability.

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

We generate sales from and have manufacturing facilities located in various emerging market countries. Sales from these countries represent a significant portion of our total sales and these countries represent a significant portion of the expected industry growth. Accordingly, economic or political turmoil in these countries could materially adversely affect our sales and results of operations. Our investments in emerging market countries may also be subject to risks and uncertainties, including unfavorable taxation treatment, exchange controls, challenges in protecting our intellectual property rights, nationalization, inflation, currency fluctuations, or the absence of, or unexpected changes in, regulation as well as other unforeseeable operational risks. See Note 2 to our consolidated financial statements included in Item 18 of this annual report on Form 20-F for more detailed information on geographic location of net sales to external customers, segment assets and capital expenditures.

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

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

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

Our operations rely to a significant degree on the efficient and uninterrupted operation of complex and highly centralized information technology systems and networks, which are integrated with those of third parties. Any failure or disruption of our current or future systems or networks could have a material adverse effect on our operations, sales and operating results. Furthermore, any data leakages resulting from information technology security breaches could also adversely affect us.

All information technology systems are potentially vulnerable to damage or interruption from a variety of sources. We pursue various measures in order to manage our risks related to system and network disruptions, including the use of multiple suppliers and available information technology security. However, despite precautions taken by us, an outage in a telecommunications network utilized by any of our information technology systems, attack by a virus or other event that leads to an unanticipated interruption of our information technology systems or networks could have a material adverse effect on our business and results of operations.

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

We operate globally and are therefore exposed to foreign exchange risks in the form of both transaction risks and translation risks. Our policy is to monitor and hedge exchange rate exposure, and we manage our operations to mitigate, but not to eliminate, the impacts of exchange rate fluctuations. Our sales and results may be materially affected by exchange rate fluctuations. Similarly, exchange rate fluctuations may also materially affect the US dollar value of any dividends or other distributions that are paid in euro. For more information, see "Item 5.A Operating Results—Certain Other Factors—United States Dollar," "Item 5.A Operating Results—Results of Operations—Exchange Rates" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

Providing customer financing or extending payment terms to customers can be a competitive requirement and could adversely and materially affect our results of operations, financial condition and cash flow.

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

Customer financing continues to be requested by some operators in some markets, but to a considerably lesser extent and with considerably lower importance than in the late 1990s and early 2000s. As a strategic market requirement, we plan to continue to arrange and facilitate financing to our customers, and provide financing and extended payment terms to a small number of selected customers. Extended payment terms may continue to result in a material aggregate amount of trade credits, but the associated risk is mitigated by the fact that the portfolio relates to a variety of customers. We cannot guarantee that we will be successful in providing needed financing to customers. Also, our ability to manage our total customer finance and trade credit exposure depends on a number of factors, including our capital structure, market conditions affecting our customers, the level of credit available to us and our ability to mitigate exposure on acceptable terms. We cannot guarantee that we will be successful in managing the challenges connected with the total customer financing and trade credit exposure that we may from time to time have. See “Item 4.B Business Overview—Networks,” “Item 5.B Liquidity and Capital Resources—Structured Finance,” and Notes 8 and 37(b) to our consolidated financial statements included in Item 18 of this annual report on Form 20-F for a more detailed discussion of issues relating to customer financing, trade credits and related commercial credit risk.

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

There has been public speculation about possible health risks to individuals from exposure to electromagnetic fields from base stations and from the use of mobile devices. While 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 be certain that future studies, irrespective of their scientific basis, will not suggest a link between electromagnetic fields and adverse health effects that would adversely affect our sales 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 six years Nokia has been involved in several class action matters alleging that Nokia and other manufacturers and cellular service providers failed to properly warn consumers of alleged potential adverse health effects and failed to package headsets with every handset to reduce the potential for alleged adverse health effects. All but two of these cases have been withdrawn or dismissed. The remaining cases are before the US District Court for the District of Maryland in Baltimore, Maryland. Nokia and the other defendants have filed a Motion to Dismiss and a request to defer the issues in the case to the US Federal Communications Commission. In addition, Nokia and other mobile device manufacturers and cellular service providers have been named in five lawsuits by individual plaintiffs who allege that radio emissions from mobile phones caused or contributed to each plaintiff’s brain tumor. Those cases are before the District of Columbia courts.

Although Nokia products and solutions are designed to meet all relevant safety standards and recommendations globally, no more than a perceived risk of adverse health effects of mobile communications devices could adversely affect us through a reduction in sales of mobile devices or increased difficulty in obtaining sites for base stations, and could have a negative effect on our reputation and brand value as well as harm our share price.