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### Exchange Rate Data

The following table sets forth information concerning the noon buying rate for the years 2009 through 2013 and for each of the months in the six-month period ended March 31, 2014, expressed in US dollars per euro. The average rate for a year means the average of the exchange rates on the last day of each month during a year. The average rate for a month means the average of the daily exchange rates during that month.

For the year ended December 31:	Exchange rates			
	Rate at Period end	Average rate	Highest rate	Lowest rate
	(USD per EUR)			
2009	1.4332	1.3955	1.5100	1.2547
2010	1.3269	1.3216	1.4536	1.1959
2011	1.2973	1.3931	1.4875	1.2926
2012	1.3186	1.2859	1.3463	1.2062
2013	1.3779	1.3281	1.3816	1.2774
October 31, 2013	1.3594	1.3646	1.3810	1.3490
November 30, 2013	1.3606	1.3491	1.3606	1.3357
December 31, 2013	1.3779	1.3708	1.3816	1.3552
January 31, 2014	1.3500	1.3618	1.3682	1.3500
February 28, 2014	1.3806	1.3665	1.3806	1.3507
March 31, 2014	1.3777	1.3828	1.3927	1.3731

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

### 3B. Capitalization and Indebtedness

Not applicable.

### 3C. Reasons for the Offer and Use of Proceeds

Not applicable.

### 3D. Risk Factors

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

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

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

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

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

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

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

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

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

- We have based our strategic choices on expectations or developments that do not materialize as planned or at all, such as those related to market or technological developments.
- We fail to effectively invest in the right areas of our continuing businesses or invest in areas that do not deliver intended results and our evaluation of the prospects with respect to the shared opportunities between our continuing businesses do not materialize as planned.
- Our announced strategy or its implementation causes disruption in our continuing businesses or results in reduced performance of the continuing businesses.
- We lose key talent or are unable to recruit, retain or motivate the executives or employees needed to effectively manage Nokia and its continuing business, for example as a result of dissatisfaction with our new strategic direction or uncertainty about our continuing businesses or prospects.
- The Sale of the D&S Business may result in inefficiencies in our corporate or operational structure or gaps in resourcing or capabilities due to the transfer of significant amounts of employees, assets, contracts and legal entities to Microsoft.
- Our less diversified product and business portfolio may lead to an over-reliance on certain industries, which may materially expose our business and results of operations to certain market trends related to those industries that are beyond our control, such as the availability of competing services at lower cost or free of charge over the internet.
- By completing the Sale of the D&S Business with Microsoft, our engagement in the manufacture and sale of mobile phones and smartphones has ceased in accordance with the D&S Purchase Agreement and as such we have a less diversified business position and may lose relevance to customers and consumers that have associated Nokia with the D&S Business.
- Deterioration of Nokia's brand or reputation due to Nokia's reduced position in the consumer electronics industry or Nokia's new strategy, or by actions of other parties that have a license to use the Nokia brand for certain purposes. Any such deterioration to the Nokia brand or reputation may have an adverse effect on our continuing businesses.
- The focus of our management or other key employees may be diverted from our day-to-day business due to changes in Nokia's structure and business model. In addition, our management or other key employees may focus too much on certain areas of the continuing businesses, which may result in the suboptimal performance of the other businesses.
- We may not be able to implement certain required new capabilities, such as data analytics skills needed for certain business areas that involve processing large amounts of data.
- We make acquisitions that do not result in the intended benefits, or which are extensive or cause disruption to Nokia's business.
- We may fail in successfully marketing our products and services, as we have in the past mainly focused marketing on mobile products and related services.
- Negative effects to Nokia or its customer relationships due to speculation about Nokia strategy or the future of its businesses.
- We announced a planned capital structure optimization program on April 29, 2014, which focuses on recommencing ordinary dividends, distributing deemed excess capital to shareholders, and reducing interest bearing debt. Nokia is also targeting to returning to being an investment grade company. There can be no assurance that the capital structure optimization program can be executed as currently planned or that it would result in the targeted benefits, including returning us to being an investment grade company. Additionally, returning capital to shareholders reduces our capital, which could expose us to financial

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

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

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

- Intensity of the competition.
- Further consolidation of Networks' customers or competitors.
- Networks may not develop in a timely manner, or at all, mobile broadband products and services that meet future technological or quality requirements and challenges.
- Networks may not be able to correctly estimate technological developments or adapt to those.
- The mobile broadband and related services market may develop in directions that leave Networks deficient in certain technologies and industry areas that impact its overall competitiveness.
- Certain customers who currently buy services and products from Networks that are not regarded as core may choose to turn to alternative vendors to maintain end-to-end service from such vendors.
- Delays in executing relevant initiatives related to the further implementation of Networks' strategy.
- Networks may not be able to successfully develop market recognition as a leading provider of software and services in the mobile broadband infrastructure and related services market.
- Networks may not be able to sustain or grow its net sales in the businesses and areas of its strategic focus, this could result in the loss of scale benefits and reduced competitiveness.
- Networks may not be able to continue identifying opportunities and obtaining contracts which meet its requirements and estimates for their profitability and to capture the expected opportunities for additional sales related to deals with lower initial profitability.
- Networks may not be able to continue utilizing the customer relations related to its mobile broadband infrastructure products for advancing its services sales, and Networks may not be able to pursue new services-led growth opportunities.
- Networks may not be able to maintain efficient and low-cost operations.
- Networks may be adversely effected by economic or political instability or the introduction of trade sanctions; for instance the recent events in Ukraine and the international reaction to them may adversely affect Networks business or operations in Ukraine, Russia and/or related markets.

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

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

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

- Maintaining and developing a product portfolio and service capability that is attractive to its customers.
- Continuing to introduce new products and product upgrades successfully and on a timely basis.
- Development of new or enhance existing tools for its services offerings.
- Optimizing the amount of customer account market specific technology, product and feature variants in its product portfolio.
- Continuing to enhance the quality of its products and services.
- Leveraging its technological strengths.

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

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

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

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

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

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

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

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

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

Despite the steps that we have taken to protect our technology investment with intellectual property rights, we cannot be certain that any rights or pending applications will be granted or that the rights granted in connection with any future patents or other intellectual property rights will be sufficiently broad to protect our technology. Third parties may infringe our intellectual property relating to our proprietary technologies or by ignoring their obligation to seek a license under our standard essential patents or by seeking to pay less than reasonable license fees.

Any patents or other intellectual property rights that are granted to us may be challenged, invalidated or circumvented, and any right granted under our patents may not provide competitive advantages for us. Our ability to protect our IP is dependent on regulatory developments in various jurisdictions and the implementation of the regulations by administrative bodies. As such, regulatory developments or applications of regulations may adversely affect our ability to protect our IP or create IP related revenue.

IP related disputes and litigation are common in the technology industry and are often used to enforce the patents and seek licensing fees. Other companies have commenced and may continue to commence actions seeking to establish the invalidity of our intellectual property, for example, patent rights. In the event that one or more of our patents are challenged, a court may invalidate the patent or determine that the patent is not enforceable, which could harm our competitive position. The outcome of court proceedings is difficult to predict and as such our ability to use intellectual property for revenue generation is at times dependent on favorable court rulings. In addition, if any of our key patents are invalidated, or if the scope of the claims in any of these patents is limited by a court decision, we could be prevented from using such patents as a basis for product differentiation or from licensing the invalidated or limited portion of our intellectual property rights. Even if such a patent challenge is not successful, it could be expensive and time-consuming, divert attention of our management and technical personnel from our business and harm our reputation. Any diminution of the protection that our own intellectual property rights enjoy could cause us to lose some of the benefits of our investments in research and development. Additionally, our IP related revenue could be negatively affected if we were unable to successfully maintain or broaden the scope of licensees or contribute to future innovations and creation of IP.

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

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

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

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

- The existing map license data customers may choose not to purchase, or purchase less, content or services from our HERE business.
- HERE net sales and profitability are dependent on developments in the automotive industry, including vehicle sales and adoption of in-vehicle navigation systems.
- HERE strives to be relevant in new and upcoming location-based services, such as augmented reality, new vehicle software systems, and autonomous driving systems. Also, HERE strives to be deeply integrated into the vehicle driver assistance systems. If HERE does not succeed in implementing this strategy, our HERE business could be materially and adversely affected.
- We may have inaccurately predicted market developments in, or market size of, the automotive navigation and personal navigation devices markets or we may lose market share to other manufacturers or other devices offering navigation solutions, including smartphones.
- HERE's competitiveness may be adversely affected if it is unable to effectively collate, process and analyze data, such as end-user behavioral data, and to derive intelligence from that data, which could be used to enhance its product offering.
- We may not be able to use our location-based assets to compete on a standalone basis or support the overall Nokia strategy.
- We may not be able to establish a successful location-based platform through HERE if other competing location-based platforms are preferred by customers and consumers, especially as HERE is a recently launched brand and platform and as such may be disadvantaged to more established brands and platforms.
- We may not be able to establish a successful HERE application suite for the platforms we are targeting.
- Investments into new business opportunities may not give a return on investment as planned, or at all.



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- We may not succeed in attracting strategic partners and developers to develop and support our ecosystem around our HERE offering, or provide services that are supported by relevant ecosystems.
- Our HERE business may lose bargaining power or perceived relevance as a result of the Sale of the D&S Business, resulting, for instance, in a reduced ability to negotiate favorable terms or to attract partners and customers.
- We may fail to attract business partners and merchants to our service offerings.
- The service offering we currently provide may not be competitive or another participant may provide a more competitive new offering in the future or new more efficient or affordable ways of map content creation are introduced which may disrupt our own business models.
- HERE Maps, involves a possibility of product liability claims and associated adverse publicity. Claims could be made by business customers if errors or defects result in a failure of their products or services, or by end-users of those products or services as a result of actual or perceived errors or defects in the map database. In addition, business customers may require us to correct defective data, which could be costly, or pay penalties if quality requirements or service level agreements are not satisfied.
- HERE may be subject to IT issues or cybersecurity breaches, resulting, for instance, in disruptions in online service continuity, privacy breaches and security of customer data issues.

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

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

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

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

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

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

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

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

- Limit the availability of credit or raise the interest rates related to credit which may have a negative effect on the financial condition, and in particular on the purchasing ability, of some of our customers and may also result in requests for extended payment terms, credit losses, insolvencies, or limited ability to respond to demand.
- Cause financial difficulties for our suppliers and collaborative partners which may result in their failure to perform as planned and, consequently, in delays in the delivery of our products.
- Impair our ability to address the customer requests for longer payment terms through sales of our customer receivables.
- Cause lowered credit ratings of our short- and long-term debt or their outlook from the credit rating agencies and, consequently, impair our ability to raise new financing or refinance our current borrowings and increase our interest costs associated with any new debt instruments.
- Result in failures of derivative counterparties or other financial institutions which could have a negative impact on our treasury operations.
- Increase volatility in exchange rates which may increase the costs of our products that we may not be able to pass on to our customers and result in significant competitive benefit to certain of our competitors that incur a material part of their costs in other currencies than we do; hamper our pricing; and increase our hedging costs and limit our ability to hedge our exchange rate exposure.
- Result in inefficiencies due to our deteriorated ability to appropriately forecast developments in our industry and plan our operations accordingly, delayed or insufficient investments in new market segments and failure to adjust our costs appropriately.

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- Cause reductions in the future valuations of our investments and assets and result in impairment charges related to goodwill or other assets due to any significant underperformance relative to historical or projected future results by us or any part of our business or any significant changes in the manner of our use of acquired assets or the strategy for our overall business.
- Result in increased and/or more volatile taxes that could negatively impact our effective tax rate, including the possibility of new tax regulations, interpretations of regulations which are stricter or increased effort by governmental bodies seeking to receive taxes more aggressively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our product manufacturing, service creation and delivery as well as our logistics are complex, require advanced and costly equipment and include outsourcing to third parties. These operations are continuously modified in an effort to improve efficiency and flexibility of our manufacturing, service creation and delivery as well as our logistics and to produce, create and distribute continuously changing volumes. We may experience difficulties in adapting our supply to meet the changing demand for our products and services, both ramping up and down production at our facilities and network implementation capabilities as needed on a timely basis; maintaining an optimal inventory level; adopting new manufacturing processes; finding the most timely way to develop the best technical solutions for new products; managing the increasingly complex manufacturing process and service creation and delivery process or achieving required efficiency and flexibility, whether we manufacture our products and create and deliver our services ourselves or outsource to third parties.

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

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

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

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

We may not be able to secure components at attractive terms from our suppliers or, a supplier may fail to meet our supplier requirements, such as, most notably, our and our customers' product quality, safety, security and other standards. Consequently, some of our products may be unacceptable to us and our customers, or may fail to meet our quality controls. In case of issues affecting a product's safety or regulatory compliance, we may be subject to damages due to product liability, or defective products, components or services may need to be replaced. Also, some suppliers may not be compliant with local laws, including, among other things, local labor laws. In addition, a component supplier may experience delays or disruption to its manufacturing processes or financial difficulties or even insolvency or closure of its business, in particular due to difficult economic conditions. Any of these events could delay our successful and timely delivery of products that meet our and our customers' quality, safety, security and other requirements, or otherwise materially adversely affect our sales and results of operations or our reputation and brand value.

We may also experience challenges caused by third parties or other external difficulties in connection with our efforts to modify our operations to improve the efficiency and flexibility of our manufacturing, service creation and delivery as well as our logistics, including, but not limited to, strikes, purchasing boycotts, public harm to our brands and claims for compensation resulting from our decisions on where to locate and how to utilize our manufacturing facilities. Such difficulties may result from, among other things, delays in adjusting or upgrading production at our facilities, delays in expanding production capacity, failure in our manufacturing, service creation and delivery as well as logistics processes, failures in the activities we have outsourced, and interruptions in the data communication systems that run our operations. Such failures or interruptions could result in our products not meeting our and our customers' quality, safety, security and other requirements, or being delivered late or in insufficient or excess volumes compared to our own estimates or customer requirements, which could have a material adverse effect on our sales, results of operations, reputation and the value of our brands.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

Mobile operators in some markets may require their suppliers, including Networks, to arrange, facilitate or provide financing in order to obtain sales or business. They may also require extended payment terms. In some cases, the amounts and duration of these financings and trade credits, and the associated impact on our working capital, may be significant. Credit markets in general have been tight since 2009. Requests for customer financing and especially extended payment terms have remained at a reasonably high level. However, the amount of financing provided directly to our customers continued to decrease in 2013.

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

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

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

Networks has used the sale of receivables to banks or other financial institutions to improve its liquidity, and any significant change in Networks' ability to continue this practice could impair our liquidity. See Item 5B. "Liquidity and Capital Resources—Structured Finance," and Note 35(b) to our consolidated financial statements included in Item 18 of this annual report for a more detailed discussion of issues relating to customer financing, trade credits and related commercial credit risk.

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

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

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

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

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

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

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

Since all technology standards, including those we use and rely on, include some intellectual property rights, we cannot fully avoid risks of a claim for infringement of such rights due to our reliance on such standards. We believe, the number of third parties declaring their intellectual property to be potentially relevant to these standards, for example, the standards related to so-called 3G and 4G mobile communication technologies, as well as other advanced mobile communications standards, is increasing, which may increase the likelihood that we will be subject to such claims in the future. As the number of market entrants and the complexity of technology increases, it remains likely that we will need to obtain licenses with respect to existing and new standards from other licensors. While we believe, most such intellectual property rights declared or actually found to be essential to a given standard carry with them an obligation to be licensed on fair, reasonable and non-discriminatory terms, not all intellectual property owners agree on the meaning of that obligation and thus costly and time-consuming litigation over such issues has resulted and may continue to result in the future.

From time to time, some existing patent licenses may expire or otherwise become subject to renegotiation. The inability to renew or finalize such arrangements or new licenses with acceptable commercial terms may result in costly and time-consuming litigation, and any adverse result in any such litigation may lead to restrictions on our ability to sell certain products and could result in payments that potentially could have a material adverse effect on our operating results and financial condition. These legal proceedings may continue to be expensive and time-consuming and divert the efforts of our management and technical personnel from our business, and, if decided against us, could result in restrictions on our ability to sell our products, require us to pay increased licensing fees, substantial judgments, settlements or other penalties and incur expenses.

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

We make accruals and provisions to cover our estimated total direct IPR costs for our products. The total direct IPR cost consists of actual payments to licensors, accrued expenses under existing

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agreements and provisions for potential liabilities. We believe that our accruals and provisions are appropriate for all technologies owned by others. The ultimate outcome, however, may differ from the provided level which could have a positive or negative impact on our results of operations and financial condition.

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

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

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

Further, the economic conditions in emerging market countries may be more volatile than in developed countries, and the purchasing power of our customers and consumers in those countries depends to a greater extent on the price development of basic commodities and currency fluctuations which may render our products too expensive to afford. Our business and investments in emerging market countries may also be subject to risks and uncertainties, including unfavorable or unpredictable taxation treatment, exchange controls, and other restrictions affecting our ability to make cross-border transfers of funds, regulatory proceedings, unsound or unethical business practices, challenges in protecting our intellectual property rights, nationalization, inflation, currency fluctuations, or the absence of, or unexpected changes in, regulation as well as other unforeseeable operational risks. See Note 2 to our consolidated financial statements included in Item 18 of this annual report for more detailed information on geographic location of net sales to external customers, segment assets and capital expenditures.

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

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

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

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

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

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

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

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

We operate globally and are therefore exposed to foreign exchange risks in the form of both transaction risks and translation risks. Our policy is to monitor and hedge exchange rate exposure, and we manage our operations to mitigate, but not to eliminate, the impacts of exchange rate fluctuations. There can be no assurance, however, that our hedging activities will be successful in mitigating the impact of exchange rate fluctuations. In addition, significant volatility in the exchange rates may increase our hedging costs, as well as limit our ability to hedge our exchange rate exposure in particular against unfavorable movements in the exchange rates of certain emerging market currencies and could have an adverse effect on our results of operations, particularly our profitability. Further, exchange rate fluctuations may have an adverse effect on our net sales, costs and results of operations, as well as our competitive position through their impact on our competitors and customers. Further, exchange rate fluctuations may also materially affect the US dollar value of any dividends or other distributions that are paid in euro as well as the market price of our ADSs. For a more detailed discussion of exchange risks, see Item 5A. "Operating Results—Certain Other Factors—Exchange Rates" and Note 35 of our consolidated financial statements included in Item 18 of this annual report.

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

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

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

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

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

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

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

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

We record provisions for pending litigation when we determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may vary materially from estimates. We believe that our provisions for pending litigation are appropriate. The ultimate outcome, however, may differ from the provided level which could have a positive or negative impact on our results of operations and financial condition.