

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

We make our cash dividend payments in euro. As a result, exchange rate fluctuations will affect the US dollar amount received by holders of ADSs on conversion of these dividends. Moreover, fluctuations in the exchange rates between the euro and the US dollar will affect the dollar equivalent of the euro price of the shares on the Helsinki Stock Exchange and, as a result, are likely to affect the market price of the ADSs in the United States. See also "Item 3.D Risk Factors—Our sales, costs and results of operations are affected by exchange rate fluctuations, particularly between the euro, which is our reporting currency, and the US dollar, the Chinese yuan, the UK pound sterling and the Japanese yen, as well as certain other currencies."

Exchange Rate Data

The following table sets forth information concerning the noon buying rate for the years 2003 through 2007 and for each of the months in the six-month period ended February 29, 2008, expressed in US dollars per euro. The average rate for a year means the average of the exchange rates on the last day of each month during a year. The average rate for a month means the average of the daily exchange rates during that month.

	Exchange Rates			
	Rate at period end	Average rate (USD per EUR)	Highest rate	Lowest rate
For the year ended December 31:				
2003	1.2597	1.1411	1.2597	1.0361
2004	1.3538	1.2478	1.3625	1.1801
2005	1.1842	1.2400	1.3476	1.1667
2006	1.3197	1.2661	1.3327	1.1860
2007	1.4603	1.3797	1.4862	1.2904
For the month ended:				
September 30, 2007	1.4219	1.3924	1.4219	1.3606
October 31, 2007	1.4468	1.4237	1.4468	1.4092
November 30, 2007	1.4688	1.4675	1.4862	1.4435
December 31, 2007	1.4603	1.4559	1.4759	1.4344
January 31, 2008	1.4841	1.4728	1.4877	1.4574
February 29, 2008	1.5187	1.4759	1.5187	1.4495

On February 29, 2008, the noon buying rate was USD 1.5187 per EUR 1.00.

3.B Capitalization and Indebtedness

Not applicable.

3.C Reasons for the Offer and Use of Proceeds

Not applicable.

3.D Risk Factors

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

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

We serve a diverse range of mobile device and network infrastructure customers across a variety of markets with different characteristics, dynamics and stages of development. In order to meet our customers' needs, we need to have a competitive portfolio with products, services and solutions that are preferred to those of our competitors. For our devices business, including services, a competitive portfolio means a broad and balanced offering of commercially appealing mobile devices with attractive aesthetics, design and combination of value-adding functionalities and services for all major consumer segments and price points designed, as appropriate, for the local requirements of different markets and supported by the Nokia brand, quality and competitive cost structure. In Nokia Siemens Networks' business, a competitive portfolio means a high-quality offering of products, services and solutions designed to meet the requirements of our customers and local markets, supported by a competitive cost structure and cost-effectiveness to our customers. If we fail to achieve or maintain a competitive portfolio and balance successfully the global portfolio with the local requirements of our customers in the different markets in a cost-effective manner, our business, market share, and results of operations may be materially adversely affected.

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

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

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

Our sales and profitability depend materially on the continued growth of the mobile communications industry in terms of the number of new mobile subscribers, number of existing subscribers who upgrade and/or replace their devices, and increased usage and demand for value-added services as well as on general economic conditions globally and regionally. If the mobile communications industry does not grow as we expect or general economic conditions deteriorate, our business and results of operations may be materially adversely affected.

Our sales and profitability depend materially on the continued growth of the mobile communications industry in terms of the number of new mobile subscribers and increased usage and, to an increasing

degree, the number of existing subscribers who upgrade or simply replace their existing mobile devices. Our sales and profitability are also affected by the extent to which there is increasing demand for, and development of, value-added services, leading to opportunities for us to successfully market mobile devices that feature those services. These developments in our industry are both within and outside of our control. In certain low penetration markets, in order to support a continued increase in mobile subscribers, we are dependent both on our own and mobile network operators' and distributors' ability to increase the sales volumes of lower cost mobile devices and on mobile network operators to offer affordable tariffs and to offer tailored mobile network solutions designed for a low total cost of ownership. In highly penetrated markets, we are dependent both on our own and mobile network operators' ability to successfully introduce services that drive the upgrade and replacement of devices, as well as ownership of multiple devices. Nokia Siemens Networks is dependent on the growth of the investments made by mobile network operators and service providers.

If we and the mobile network operators and distributors are not successful in our attempts to increase subscriber numbers, stimulate increased usage or drive upgrade and replacement sales of mobile devices and develop and increase demand for value-added services, or if investments by mobile network operators and service providers in the related infrastructure grow at a slower pace than anticipated, our business and results of operations could be materially adversely affected.

As we are a global company and have sales in most countries of the world, our sales and profitability are also somewhat dependent on general economic conditions globally and regionally. Historically, we have not seen a strong correlation between sales of mobile devices and changes in macroeconomic activity as measured by gross domestic product. While mobile devices are increasingly considered essential value-adding personal items, rather than luxury items, deteriorating general economic conditions and their possible impact on the financial position of our current and potential customers could have a material adverse effect on our business.

The mobile communications industry continues to undergo significant changes and new market segments within our industry have been introduced and are still being introduced. Our sales and profitability are significantly affected by the growth and profitability of the new market segments that we target and our ability to successfully develop or acquire and market products, services and solutions in those segments. If the new market segments we target and invest in grow less or are less profitable than expected, or if new faster growing market segments emerge in which we have not invested, our business, results of operations and financial condition may be materially adversely affected.

The mobile communications industry continues to undergo significant changes. Traditional mobile voice communications, the Internet, information technology, media, entertainment, music, and consumer electronics industries are converging in some areas into one broader industry. As a result, new market segments within the mobile communications industry have been introduced and are still being introduced by both traditional and new industry participants leading to the creation of new mobile devices, services and ways to use those devices. Companies that seek to enter new market segments may also need to revise their business models in order to compete effectively. As well, while participants in the mobile communications industry once provided complete products and solutions, industry players are increasingly providing specific hardware and software layers and various services for products and solutions.

In our devices business, we have made significant investments during the past several years in certain of these devices market segments, such as smartphones, multimedia computers, enterprise applications, navigation, music, video, TV, imaging, games and solutions and software for business mobility. With the increasing availability of high speed wireless Internet access and progressively more of our devices featuring advance multimedia-type capabilities, we see new business opportunities to increase our offering of consumer Internet services and to deliver these services in an easily accessible manner through our devices, and we expect to make further investments in this market segment. We also expect to continue our investments in enterprise solutions and software. In

our network infrastructure business, we expect to continue making investments in enterprise mobility infrastructure as well as managed services, systems integration and consulting businesses.

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

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

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

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

The products, services and solutions we offer are subject to natural price erosion over their life cycle. In addition, the average selling price of our devices has declined during recent years and it may continue to decline in the future. The factors impacting our average selling price include the extent to which our product mix is weighted towards lower-priced products and our regional mix is weighted towards emerging markets where lower-priced products predominate. Further, there is continuing demand for mobile devices with new or enhanced functionalities and services while the prices of those products must remain competitive.

In order to be profitable, we need to be able to lower our costs at the same rate or faster than the price erosion and declining average selling price of our devices. We also need to introduce cost-efficient devices with new or enhanced functionalities and services with higher prices in a timely manner and proactively manage the costs related to our products, services and solutions, manufacturing, logistics and other operations and related licensing. If we are unable to do this, this will have a material adverse effect on our business and results of operations, particularly our profitability. We believe that our market share results in economies of scale and, therefore, in a cost advantage for our devices when compared to our competitors. If we fail to maintain or increase our market share and scale compared to our competitors as well as leverage our scale to the fullest

extent, our cost advantage may be eroded, which could materially adversely affect our competitive position, business and our results of operations, particularly our profitability.

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

The markets for our products, services and solutions are intensely competitive. Industry participants compete with each other mainly on the basis of the breadth and depth of their product, service and solutions portfolio, design, price, operational and manufacturing efficiency, technical performance, distribution, quality, customer support and brand. The competition continues to be intense from both our traditional competitors in the mobile and fixed communications industry as well as a number of new competitors. Some of our competitors have used, and we expect will continue to use, more aggressive pricing strategies, different design approaches and alternative technologies. In addition, some competitors have chosen to focus on building products based on commercially available components, which may enable them to introduce these products faster and with lower levels of research and development expenditures than Nokia. Additionally, because mobile network operators are increasingly offering mobile devices under their own brand, we face increasing competition from non-branded mobile device manufacturers. Due to the intensity of the competition overall, the competitive landscape in our industry or in specific industry segments can change very rapidly.

As a result of developments in our industry, including convergence of mobile device technology with the Internet, we also face new competition from companies in related industries, such as Internet-based products and services, consumer electronics manufacturers, network operators and business device and solution providers, some of which have more scale and experience and a stronger market presence in certain segments such as Internet services. In addition, new companies, primarily consumer electronics manufacturers, are entering the mobile device business. The competitive environment, including the competitive means, of these new converged market segments differ from the more established segments within our industry. Some of the new market segments that we target are still in early stages of development and it may be difficult to predict the main competitors and competitive environment in these market segments. Further, as the industry now includes increasing numbers of participants that provide specific hardware and software layers within products, services and solutions, we also face competition at the level of these layers rather than solely at the level of complete products, services and solutions. In some of these layers, we may have more limited experience and scale than our competitors. If we cannot respond successfully to these competitive developments, our business and results of operations may be materially adversely affected.

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

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

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

customer demand, or fail to do so on a timely basis, this may have a material adverse effect on our business and results of operations.

In order to succeed in our markets, we believe that we must develop or otherwise acquire complex, evolving technologies to use in our business. However, the development and use of new technologies, applications and technology platforms for our mobile devices, services and software and networks infrastructure products involve time, substantial costs and risks, both within and outside of our control. We must also be able to convert these complex technologies into affordable and usable products, services and solutions. This is true regardless of whether we develop these technologies internally, acquire or invest in other companies with these technologies or collaborate with third parties on the development of these technologies. In addition, we seek to protect our technology investments with intellectual property rights. When doing this, our business is influenced by the regulatory and legal environments' approach to intellectual property rights, including the scope and degree of patent and copyright protection as well as copyright levies which vary country by country.

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

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

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

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

Our products, services and solutions include increasingly complex technologies, some of which have been developed by us or licensed to us by third parties. As the amount of such proprietary technologies and the number of parties claiming intellectual property rights continues to increase, even within individual products, as the range of our products, services and solutions becomes more diversified and we enter new businesses, and as the complexity of the technology increases, the

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

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

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

From time to time, some existing patent licenses may expire or otherwise become subject to renegotiation. The inability to renew or finalize such arrangements with acceptable commercial terms may result in costly and time-consuming litigation, and any adverse result in any such litigation may lead to restrictions on our ability to sell certain products, services or solutions, and could result in payments that potentially could have a material adverse effect on our operating results. Most notably, we are party to numerous legal proceedings with Qualcomm Incorporated ("Qualcomm" including its affiliates). For more information about these legal proceedings with Qualcomm, see "Item 8.A.7 Litigation-Intellectual property rights litigation." These legal proceedings may continue to be expensive and time-consuming and divert the efforts of our management and technical personnel from our business, and, if decided against us, could result in restrictions on our ability to sell our products, services and solutions, require us to pay increased licensing fees, substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on our business and results of operations.

We recognize accruals and provisions to cover our estimated total direct IPR costs for our products, services and solutions. The total direct IPR cost consists of actual payments to licensors, accrued expenses under existing agreements and provisions for potential liabilities. We believe that our accruals and provisions are appropriate for all technologies licensed from 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 position.

Any restrictions on our ability to sell our products, services and solutions due to expected or alleged

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

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

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

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

Currently expected benefits and synergies from forming Nokia Siemens Networks may not be achieved to the extent or within the time period that is currently anticipated or the currently expected benefits or synergies may not be sufficient to achieve the objectives for the formation of Nokia Siemens Networks. We may also encounter costs and difficulties related to the integration of Nokia Siemens Networks which could reduce or delay the realization of anticipated net sales, cost savings and operational benefits.

On April 1, 2007, our Networks business group was combined with the carrier-related operations for fixed and mobile networks of Siemens to form Nokia Siemens Networks, jointly owned by Nokia and

Siemens and consolidated by Nokia. See “Item 4.B Business Overview–Nokia Siemens Networks” for a more detailed discussion of Nokia Siemens Networks.

Achieving the expected benefits and synergies of Nokia Siemens Networks will depend, in part, upon whether the operations, personnel and supporting activities can be integrated in an efficient manner. The process of effectively integrating these businesses into one company has required and will continue to require significant managerial and financial resources and may divert management’s attention from other business activities. The failure to successfully integrate Nokia Siemens Networks within the expected time frame could have a material adverse effect on our business, financial condition and results of operations. In addition to all the applicable other risks included in this “Item 3.D Risk Factors”, Nokia Siemens Networks may also expose us to certain additional risks, including difficulties arising from operating a significantly larger and more complex organization. Further, unexpected costs and challenges may arise whenever businesses with different operations, management and culture are combined.

Nokia and Nokia Siemens Networks have announced a cost synergy target for Nokia Siemens Networks of EUR 2 billion in annual cost synergies, substantially all of which are targeted to be achieved by the end of 2008. Nokia and Nokia Siemens Networks have also announced that they estimate the total charges associated with these cost synergies to be slightly above EUR 2 billion. However, for a variety of reasons, Nokia Siemens Networks may not be able to realize the full cost synergy target or the total charges associated with these cost synergies may be greater than estimated. In addition, the synergy targets and estimates of the associated charges are based on conditions at the time of the related announcements and do not necessarily reflect future developments that may result from changes in the industry or Nokia Siemens Networks’ operations. Any failure of Nokia and Nokia Siemens Networks to identify and implement the necessary cost reductions and profitability improvement measures within the expected time frame or the potential that these efforts may not generate the currently expected level of cost synergies going forward, could result in lower than targeted annual cost synergies for Nokia Siemens Networks. Furthermore, as a result of developments in the market for mobile and fixed networks infrastructure and related services, including slower than anticipated industry growth and intensifying competition, the currently expected benefits and synergies may not be sufficient to achieve the objectives for the formation of Nokia Siemens Networks. Any of these events could have a material adverse effect on our financial condition and results of operations.

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

Public prosecutors and other government authorities in jurisdictions around the world, including the US Securities and Exchange Commission (the “SEC”) and the US Department of Justice, are conducting criminal and other investigations with respect to whether certain transactions and payments arranged by some current or former employees of Siemens’ Com business group, covering the carrier-related operations for fixed and mobile networks that have been transferred to Nokia Siemens Networks, were unlawful. Substantial transactions and payments involving Siemens’ former Com business group are under investigation.

In addition to the ongoing investigations, there could be additional investigations launched in the future by governmental authorities in these or other jurisdictions and existing investigations may be expanded. These governmental authorities may take action against Siemens and/or some of its

employees. These actions could include criminal and civil fines, in addition to the EUR 201 million fine already imposed on Siemens by German authorities for irregularities in the Siemens' former Com business group, as well as penalties, sanctions, injunctions against future conduct, profit disgorgement, disqualifications from engaging in certain types of business, the loss of business licenses or permits, the appointment of a monitor to review future business and ensure compliance or other restrictions. To date, none of the fines imposed on Siemens has applied to Nokia Siemens Networks or Nokia. It is not possible at this time to predict whether these or other government authorities will take further actions and if they do what they might be and the extent to which such actions might apply to or affect Nokia Siemens Networks or Nokia.

The government investigations and Siemens' own investigation are ongoing. Also, certain aspects of the internal review by Nokia Siemens Networks and Nokia are ongoing. Accordingly, it is not possible to ensure that Siemens employees who may have been involved in the alleged violations of law were not transferred to Nokia Siemens Networks. Nor is it possible to predict the extent to which there may be undetected additional violations of law that may have occurred prior to the transfer that could result in additional actions by government authorities. It is also not possible to predict whether there have been any ongoing violations of law after the formation of Nokia Siemens Networks involving the assets and employees of the Siemens carrier-related operations that could result in additional actions by government authorities. The development of any of these situations could have a material adverse effect on Nokia Siemens Networks and our reputation, business, results of operations and financial condition. In addition, detecting, investigating and resolving such situations have been and may continue to be expensive and consume significant time, attention and resources of Nokia Siemens Networks and our management, which could harm our business and that of Nokia Siemens Networks.

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

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

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

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

Our products are highly complex and defects in their design and manufacture have occurred and may occur in the future. Quality issues are emphasized in our device business due to very high production volumes of many of our devices, as a result of which even a single defect in their design or manufacture may have material adverse effect on our business. In the network infrastructure

business, the undisturbed functioning of large mobile and fixed telecommunications networks may depend on the proper functioning of our products.

Defects and other quality issues may result from, among other things, failures in our own product creation and manufacturing processes or failures of our suppliers to comply with our supplier requirements. Prior to the shipment, quality issues may cause delays in shipping products to customers and related additional costs or even cancellation of orders by customers. After shipment, products may fail to meet marketing expectations set for them, may malfunction or may contain security vulnerabilities, and thus cause additional repair, product replacement, recall or warranty costs to us and harm our reputation. Although we endeavor to develop products that meet the appropriate security standards, including privacy protection, for each product segment, we or our products may, due to our market position, be subject to hacking or other unauthorized modifications or illegal activities that may cause potential security risks to our customers or end-users of our products. In case of issues affecting a product's safety or regulatory compliance or product security, we may be subject to damages due to product liability, or defective products or components may need to be replaced or recalled. Any actual or alleged defects or other quality issues in our products, services and solutions, or even in their unlawful copies, could materially adversely affect our sales, results of operations, reputation and the value of the Nokia brand.

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

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

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

Our manufacturing operations depend to a certain extent on obtaining sufficient amounts of adequate supplies of fully functional components and sub-assemblies on a timely basis. In mobile devices, our principal supply requirements are for electronic components, mechanical components and

software, which all have a wide range of applications in our products. Electronic components include chipsets, integrated circuits, microprocessors, standard components, memory devices, cameras, displays, batteries and chargers, while mechanical components include covers, connectors, key mats and antennas. Software includes various third-party software that enables various features and applications, like location based services, to be added into our products. Nokia Siemens Networks' components and sub-assemblies sourced and manufactured by third-party suppliers include Nokia Siemens Networks-specific integrated circuits and radio frequency components; servers; sub-assemblies such as printed wire board assemblies, filters, combiners and power units; and cabinets.

In addition, a particular component may be available only from a limited number of suppliers. Suppliers may from time to time extend lead times, limit supplies, increase prices or be unable to increase supplies to meet increased demand due to capacity constraints or other factors, which could adversely affect our ability to deliver our products, services and solutions on a timely basis. Moreover, a component supplier may fail to meet our supplier requirements, such as, most notably, our and our customers' product quality, safety, security and other standards, and consequently some of our products may be unacceptable to us and our customers, or may fail to meet our own quality controls. In case of issues affecting a product's safety or regulatory compliance, we may be subject to damages due to product liability, or defective products or components may need to be replaced or recalled. In addition, a component supplier may experience delays or disruption to its manufacturing processes or financial difficulties. Due to our high volumes, any of these events, or mere allegation of failures in our products, services and solutions, could delay our successful and timely delivery of products, services and solutions that meet our and our customers' quality, safety, security and other requirements, or otherwise materially adversely affect our sales and results of operations or our reputation and brand value. See "Item 4.B Business Overview-Mobile Devices-Production" and "Nokia Siemens Networks-Production" for a more detailed discussion of our production activities.

Possible consolidation among our suppliers could potentially result in larger suppliers with stronger bargaining power and limit the choice of alternative suppliers, which could lead to an increase in the cost, or limit the availability, of components that may materially adversely affect our sales and results of operations.

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

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

Our operations rely to a significant degree on the efficient and uninterrupted operation of complex and centralized information technology systems and networks, which are integrated with those of third parties. All information technology systems are potentially vulnerable to damage or interruption from a variety of sources. We pursue various measures in order to manage our risks related to system and network disruptions, including the use of multiple suppliers and available information technology security. However, despite precautions taken by us, any failure or disruption of our current or future systems or networks such as an outage in a telecommunications network utilized by any of our information technology systems, attack by a virus or other event that leads to an unanticipated interruption of our information technology systems or networks could have a material adverse effect on our business and results of operations. Furthermore, any data leakages resulting from information technology security breaches could also materially adversely affect us.

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

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

Furthermore, the number of Nokia Siemens Networks' customers may diminish due to operator consolidation. This could increase reliance on fewer larger customers, which may have a material adverse effect on Nokia Siemens Networks' bargaining position, and, in turn, our sales and results of operations.

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

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

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

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

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

We operate globally and are therefore exposed to foreign exchange risks in the form of both transaction risks and translation risks. Our policy is to monitor and hedge exchange rate exposure, and we manage our operations to mitigate, but not to eliminate, the impacts of exchange rate fluctuations. Our sales, costs and results of operations may be materially affected by exchange rate fluctuations. Similarly, exchange rate fluctuations may also materially affect the US dollar value of any dividends or other distributions that are paid in euro. For a more detailed discussion of exchange risks, see “Item 5.A Operating Results—Certain Other Factors—United States Dollar,” “Item 5.A Operating Results—Results of Operations—Exchange Rates” and Note 35 of our consolidated financial statements included in Item 18 of this annual report.

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

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

Customer financing continues to be requested by some of our customers in some markets, but to a considerably lesser extent and with considerably lower importance than in the late 1990s and early 2000s. As a strategic market requirement, we plan to continue to arrange and facilitate financing to our customers, and provide financing and extended payment terms to a small number of selected customers. Extended payment terms may continue to result in a material aggregate amount of trade credits, but the associated risk is mitigated by the fact that the portfolio relates to a variety of customers. We cannot guarantee that we will be successful in providing needed financing to customers. Also, our ability to manage our total customer finance and trade credit exposure depends on a number of factors, including our capital structure, market conditions affecting our customers, the level of credit available to us and our ability to mitigate exposure on acceptable terms. We cannot guarantee that we will be successful in managing the challenges connected with the total customer financing and trade credit exposure that we may have from time to time. See “Item 5.B 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.

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

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

government agencies, international health organizations and other scientific bodies in order to develop a better scientific and public understanding of these issues.

Over the past seven years Nokia has been involved in several class action matters alleging that Nokia and other manufacturers and cellular service providers failed to properly warn consumers of alleged potential adverse health effects and failed to package headsets with every handset to reduce the potential for alleged adverse health effects. All but two of these cases have been withdrawn or dismissed. The remaining pending cases are before the United States Federal District Court for the Eastern District of Pennsylvania, currently subject to a plaintiffs' motion to remand the case to the Pennsylvania state courts, and the District of Columbia Superior Court, currently the subject of a motion to dismiss. In addition, Nokia and other mobile device manufacturers and cellular service providers were named in five lawsuits by individual plaintiffs who allege that radio emissions from mobile phones caused or contributed to each plaintiff's brain tumor. Those cases were dismissed in August 2007. The plaintiffs appealed those dismissals to the District of Columbia Court of Appeals which are currently pending.

Although Nokia products, services and solutions are designed to meet all relevant safety standards and recommendations globally, even a perceived risk of adverse health effects of mobile communications devices could have a material adverse effect on us through a reduction in sales of mobile devices or increased difficulty in obtaining sites for base stations, and could have a material adverse effect on our reputation and brand value, results of operations as well as share price.

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

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

See "Item 8.A.7 Litigation" for a more detailed discussion about litigation that we are party to.

If we are unable to recruit, retain and develop appropriately skilled employees, our ability to implement our strategies may be hampered and, consequently, that may have a material adverse effect on our business and results of operations.

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

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

Our business is subject to direct and indirect regulation in each of the countries in which we, the companies with which we work or our customers do business. As a result, changes in various types of regulations and trade policies applicable to current or new technologies, products or services could affect our business adversely. For example, it is in our interest that the Federal Communications Commission maintains a regulatory environment that ensures the continued growth of the wireless sector in the United States. In addition, changes in regulation affecting the construction of base stations and other network infrastructure could adversely affect the timing and costs of new network construction or expansion and the commercial launch and ultimate commercial success of these networks.

Moreover, the implementation of technological or legal requirements, such as the requirement in the