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, 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—Devices & Services; NAVTEQ and Nokia Siemens Networks. Additional risks primarily related to Nokia Siemens Networks that could affect Nokia are detailed under the heading “Nokia Siemens Networks” below.

Our proposed partnership with Microsoft may not succeed in creating a competitive smartphone platform for high-quality differentiated winning smartphones or in creating new sources of revenue for us.

The mobile communications industry continues to undergo significant changes. The broad convergence of the mobility, computing, consumer electronics and services industries has led to a significant shift in the mobile device market for smartphones from a device oriented strategy to a platform oriented strategy. Today, industry participants are creating competing ecosystems of mutually beneficial partnerships to combine the hardware, software, services and application environment to create high-quality differentiated winning smartphones. Consumers increasingly choose mobile products based on the quality of the software, web applications and services, together with the overall user experience, rather than the hardware. As a result, in volume and value terms, smartphones are capturing the major part of the growth and public focus in the mobile device market. We believe that winning smartphones deliver great hardware, compelling user interfaces and the coherent aggregation of a vast array of applications and services, including search, advertising, ecommerce, social networking, location-based services, entertainment and unified communications, which results from a broad ecosystem of those industry participants all contributing to the final mobile product and user experience. Our current smartphone platform utilizes the Symbian operating system, and we work with developers and other partners and collaborators to create applications and provide services and content for our smartphones. We invest our own resources in developing Symbian, which is royalty-free to us. Since the fall of 2010, the development of the Symbian platform has been under our control. We have also been working with Intel to develop a new smartphone platform, MeeGo, an open-sourced platform focused on longer-term next-generation devices.

Other smartphone platforms with their related ecosystems have gained significant momentum and market share, specifically Apple’s iOS proprietary platform and Google’s open source Android platform, and are continuing apace. Until very recently, we believed our competitive position in smartphones could be improved with Symbian, as well as MeeGo, and our strategy based on those platforms. We are now of the view, however, that for the longer term our Symbian platform is not sufficiently competitive in leading markets. Accordingly, on February 11, 2011, we announced our intention to enter into a broad strategic partnership with Microsoft that would combine our respective complementary assets and expertise to build a new global mobile ecosystem for smartphones (the “Microsoft partnership”). Under the proposed partnership, we would adopt, and license from Microsoft, Windows Phone as our primary smartphone platform. Microsoft will continue to license Windows Phones to other mobile manufacturers. The Microsoft partnership would provide us, however, with opportunities to innovate and customize on the Windows Phone platform with a view to differentiating Nokia smartphones from those of our competitors who also use the Windows Phone platform. The Microsoft partnership would also provide opportunities for new revenue sources from the combination of various services, such as our location-based assets with Microsoft's broader search engine and advertising platform.

While we transition to Windows Phone as our primary smartphone platform, we will continue to leverage our investment in Symbian for the benefit of Nokia, our customers and consumers, as well as developers. This strategy recognizes the opportunity to retain and transition the installed base of approximately 200 million Symbian owners to Nokia Windows Phone smartphones over time. We expect to sell approximately 150 million more Symbian devices in the years to come, supported by our plan to deliver additional user interface and hardware enhancements. We will continue our development of MeeGo with increased emphasis on longer-term market exploration of next-generation devices, platforms and user experiences. We expect the transition to Windows Phone as our primary smartphone platform to take about two years. We and Microsoft have entered into a non-binding term sheet, and the proposed Microsoft partnership remains subject to the negotiation and execution of definitive agreements. See Item 4B. "Business Overview—Devices & Services—New strategy—Smartphones" for additional information about the proposed Microsoft partnership.

Our proposed partnership with Microsoft and change in our smartphone platform strategy are subject to certain risks and uncertainties, which could, either individually or together, significantly impair our ability to compete effectively in the smartphone market. If that were to occur, our business would become more dependent on sales in the mobile phones market, which is an increasingly commoditized and intensely competitive market, with substantially lower growth potential, prices and profitability compared to the smartphone market. Those risks and uncertainties include the following:

- Definitive agreements with Microsoft for the proposed partnership may not be entered into in a timely manner, or at all, or on terms beneficial to us.
- In choosing to adopt Windows Phone as our primary smartphone platform, we may forgo more competitive alternatives achieving greater and faster acceptance in the smartphone market. If we fail to finalize our partnership with Microsoft or the benefits of that partnership do not materialize as expected, we will have limited our options and more competitive alternatives may not be available to us in a timely manner, or at all.
- The Windows Phone platform is a very recent, largely unproven addition to the market focused solely on high-end smartphones with currently very low adoption and consumer awareness relative to the Android and Apple platforms, and the proposed Microsoft partnership may not succeed in developing it into a sufficiently broad competitive smartphone platform.
- Our expected transition to the Windows Phone platform may prove to be too long to compete effectively in the smartphone market longer term given the ongoing developments of other competing smartphone platforms.
- Our ability to innovate and customize on the Windows Phone platform may not materialize as expected to enable us to produce smartphones that are differentiated from those of our competitors.
- The Microsoft partnership may not achieve in a timely manner the necessary scale, product breadth, geographical reach and localization to be sufficiently competitive in the smartphone market.
- The Microsoft partnership may erode our brand identity in markets where we are strong and may not enhance our brand identity in markets where we are weak. For example, our association with the Microsoft brand may impair our current strong market position in China and may not accelerate our access to a broader market in the United States.
- New sources of revenue expected to be generated from the Microsoft partnership, such as

increased monetization opportunities for us in services and intellectual property rights, may not materialize as expected, or at all.

- The opportunity to integrate our location-based assets, including NAVTEQ, with Microsoft's Bing search engine and adCenter advertising platform and leverage those combined assets to form a local search and advertising capability that generates new sources of revenue for us may not materialize as expected, or at all. This could also decrease the value of our location-based assets that might result in impairment charges.
- We may not succeed in leveraging the Microsoft advertising assets to build and achieve the required scale for a Nokia-based online advertising platform on our smartphones that generates new sources of advertising-based revenue.
- We may not succeed in creating a profitable business model when we transition from our royalty-free smartphone platform to the royalty-based Windows Phone platform due to, among other things, our inability to offset our higher cost of sales resulting from our royalty payments to Microsoft with new revenue sources and a reduction of our operating expenses, particularly our research and development expenses.
- We will need to continue to innovate and find additional ways to create patentable inventions and other intellectual property, particularly as we would no longer be developing the core platform technology for our smartphones under the proposed Microsoft partnership. As a result, we may not be able to generate sufficient patentable inventions or other intellectual property to maintain, for example, the same size and/or quality patent portfolio as we have historically.
- We may not be able to change our mode of working or culture to enable us to work effectively and efficiently with Microsoft in order to realize the stated benefits of the proposed partnership in a timely manner.
- The negotiation and implementation of the proposed Microsoft partnership will require significant time, attention and resources of our senior management and others within the organization potentially diverting their attention from other aspects of our business.
- The proposed Microsoft partnership may cause dissatisfaction and adversely affect the terms on which we do business with our other partners, mobile operators, distributors and suppliers, or foreclose the ability to do business with new partners, mobile operators, distributors and suppliers.
- The implementation of the proposed Microsoft partnership may cause disruption and dissatisfaction among employees reducing their motivation, energy, focus and productivity, 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.
- We may not have or be able to recruit, retain and motivate appropriately skilled employees to implement successfully the Windows Phone smartphone platform and to work effectively and efficiently with Microsoft and the related ecosystem.
- We may be required or choose to share with Microsoft personal or consumer data that has been made available to us, which could increase the risk of loss, improper disclosure or leakage of such personal or consumer data or create negative perceptions about our ability to maintain the confidentiality of such data.
- Consumers may be more reluctant to provide personal data to us as a result of the proposed Microsoft partnership, which would hamper our ability to use our current business models, or create new ones, that rely on access to personal data.
- We do not currently have tablets in our mobile product portfolio, which may result in our inability to compete effectively in that market segment in the future or forgoing that potential growth opportunity in the mobile market.

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

We may not be able to maintain the viability of our current Symbian smartphone platform during the transition to Windows Phone as our primary smartphone platform or we may not realize a return on our investment in MeeGo and next generation devices, platforms and user experiences.

The continued viability of our Symbian smartphones, even as we plan to deliver additional user interface and hardware enhancements, during the transition to Windows Phone as our primary smartphone platform is subject to certain risks and uncertainties, which could, either individually or together, significantly impair our market share, net sales and profitability. Those risks and uncertainties include the following:

- Our mobile operator and distributor customers and consumers may no longer see our Symbian smartphones as attractive investments during the transition to Windows Phone. This would result in a loss of market share, which could be substantial, during the transition and which we may not be able to regain when quantities of Nokia Windows Phone smartphones are commercially available.
- We may not succeed in transitioning over time our installed base of Symbian owners to our Windows Phone smartphones.
- Application, services and content development by developers and other partners for Symbian may decline or cease, which would diminish the viability of our Symbian smartphones and their attractiveness to our mobile operator and distributor customers and consumers, as well as limit the opportunity to transition compatible aspects of our Symbian development to the Windows Phone ecosystem.
- Our mobile operator and distributor customers may choose not to promote and market robustly some or all of our Symbian smartphones, may require monetary incentives, including significant price reductions, to do so or may discontinue some or all of our Symbian smartphone product lines.
- Our suppliers may reduce the availability of certain components for our Symbian smartphones or we may not be able to obtain certain or sufficient components for our Symbian smartphones at attractive prices resulting in increased costs that we may not be able to pass on to our customers.
- We may not be able to provide the necessary support for our Symbian smartphones organization and business during the transition to Windows Phone, including efficiently managing the phase-out over time of our investment in Symbian while maintaining acceptable profitability for those products.
- We may lose key personnel and skilled employees involved in the development of our Symbian platform. We may also not be able to maintain employee motivation and focus to continue to innovate and develop on the Symbian smartphone platform or otherwise be able to maintain the quality of our Symbian smartphones.
- Under our new strategy, MeeGo becomes an open-source, mobile platform project. Our investment in MeeGo will emphasize longer-term market exploration of next-generation devices, platforms and user experiences. We plan to ship a MeeGo-based mobile product later this year. If the market segment that we target with that mobile product does not materialize as expected, or if we fail to develop next-generation platforms, user experiences and mobile products, we may incur operating losses and accordingly not realize a return on our investment in this area.

Our ability to bring winning smartphones to the market in a timely manner will be significantly impaired if we are unable to build a competitive and profitable global ecosystem of sufficient scale, attractiveness and value to all participants.

The emergence of ecosystems in and around the mobile device market for smartphones represents the broad convergence of the mobility, computing, consumer electronics and services industries. Different industry participants—such as hardware manufacturers, software providers, developers, publishers, entertainment providers, advertisers and ecommerce specialists—are forming increasingly large communities of mutually beneficial partnerships in order to bring their offerings to the market. The nexus of the major smartphone ecosystems is the operating system and the development platform upon which smartphones are based and services built. We work with developers and other partners and collaborators to create applications and provide services and content for our Symbian smartphones and utilize the Qt development framework. Until very recently, we believed our competitive position in smartphones could be improved with Symbian, as well as MeeGo, and our strategy based on those platforms. We are now of the view, however, that for the longer term our Symbian platform is not sufficiently competitive in leading markets and our MeeGo project is focused on longer-term next-generation mobile products. Additionally, Symbian is proving to be a challenging development environment in which to meet the continuously expanding consumer requirements and around which to build a competitive global ecosystem of sufficient scale and attractiveness that brings value to all participants. Accordingly, on February 11, 2011, we announced our intention to enter into a broad strategic partnership with Microsoft and adopt Windows Phone as our primary smartphone platform designed to build a competitive global mobile ecosystem for our smartphones.

Our ability to build a competitive global ecosystem for our smartphones is subject to certain risks and uncertainties, which could, either individually or together, significantly impair our ability to bring winning smartphones to the market in a timely manner. If that were to occur, our business would become more dependent on sales in the mobile phones market, which is an increasingly commoditized and intensely competitive market, with substantially lower growth potential, prices and profitability compared to the smartphone market. Those risks and uncertainties include the following:

- If we fail to finalize a partnership with Microsoft or the benefits of that partnership do not materialize as expected, we will have limited our options to build a competitive smartphone ecosystem with another partner or join another competitive smartphone ecosystem in a timely manner.
- The Windows Phone platform may not achieve or retain broad or timely market acceptance or be preferred by ecosystem participants, mobile operators and consumers.
- We may not be able to develop and execute with speed sufficient quantities of high-quality differentiated Nokia Windows Phone smartphones in order to achieve the scale needed for a competitive global ecosystem and the success of our own business and results of operations.
- We may not be able to provide sufficient opportunities to innovate and customize on the Windows Phone platform in order to attract developers and other ecosystem participants seeking to differentiate their offerings on our smartphones from those of our competitors.
- We may not succeed in rapidly expanding the Windows Phone platform and related ecosystem beyond its current use in high-end smartphones to more affordable smartphones.
- Other competitive major smartphone ecosystems have advantages which may be difficult for us to overcome, such as first-mover advantage, momentum, engagement by developers, mobile operators and consumers and brand preference, and their advantages may become even greater during our transition to the Windows Phone platform.
- The global ecosystem may not be flexible enough to allow local ecosystems to develop around and in connection with it.
- Applicable developer tools may not gain needed traction or acceptance in the market, may be

introduced late, or when introduced, do not offer technologies that developers are willing to use.

- We may not succeed in creating business models which provide value to all participants in the ecosystem, including ourselves.
- We may not succeed in reducing our smartphone operating expenses, including our research and development costs, which will impair our ability to create a profitable business model for a new global ecosystem.
- We may not be able to change our mode of working or culture sufficiently to collaborate effectively and efficiently both internally and externally with a large community of partners.
- We may not succeed in making the Nokia brand more desirable than brands of our competitors in smartphones.
- We may not be able to attract developers and other participants to our ecosystem if they do not have the opportunity to leverage their offerings across a wide range of mobile products, particularly tablets, which we currently do not have in our mobile product portfolio.

We may not be able to produce mobile phones in a timely and cost efficient manner with differentiated hardware, localized services and applications.

The mobile phones market, a traditional area of strength for us, is also undergoing significant changes. Today, a different type of ecosystem from that of smartphones is emerging around mobile phones involving very low cost components and manufacturing processes. Speed to market and attractive pricing are critical success factors in the mobile phones market. In particular, the availability of complete mobile solutions chipsets from MediaTek has enabled the very rapid and low cost production of mobile phones by numerous manufacturers in the Shenzhen region of China, which have gained significant share in emerging markets. Moreover, many mid-range to low-end mobile phones increasingly offer access to the Internet and mobile applications and provide more smartphone-like experiences. Accordingly, we need to provide mobile phones in a timely and cost-efficient manner with differentiated hardware, localized services and applications that attract new users and connect new and existing users to their first Internet and application experience. Our ability to achieve this is subject to certain risks and uncertainties, including the following:

- We may not be able to leverage our traditional competitive strengths of scale in manufacturing and logistics, as well as in our marketing and sales channels, to significantly increase the speed to market of our mobile phones in a sufficiently cost-competitive manner, particularly with mobile operators and consumers requiring increasing customization to meet divergent local needs and preferences.
- We may be unable to source the right amount of components and at affordable cost.
- The platforms that we deploy for our mobile phones may not provide sufficient flexibility and cost efficiency for application developers and other partners to create a vibrant ecosystem for mobile phones with increasingly smartphone-like experiences of Internet access and mobile applications.
- We may need to make significant investments to further develop our mobile phone platforms in order to bring an upgraded mobile experience to traditional mobile phone consumers.
- We may not succeed in innovating and developing sufficiently locally relevant services, applications and content in a speedy and cost-efficient manner to attract and retain consumers in multiple markets with divergent local needs and preferences.
- Our brand preference may erode due to various factors, such as inadequate marketing, quality issues, lack of affordable locally-relevant services, applications and content or lack of success in smartphones.
- Our management attention in smartphones and in the establishment of the new ecosystem for

smartphones with Microsoft may result in less management attention paid to our mobile phones business.

Our failure to increase our speed of innovation, product development and execution will impair our ability to bring new competitive smartphones and mobile phones to the market in a timely manner.

We need to identify and understand the key market trends and user segments to address consumers' expanding needs in order to bring new innovative and competitive smartphones and mobile phones to the market in a timely manner. We must follow, anticipate and be able to respond with speed to these key market trends, and actively create future trends in the market, through our product development processes. We also need to execute efficiently in creating and developing competitive products, and in bringing our products to market in a timely manner with compelling marketing messages that succeed in retaining and engaging our current, and attract new, customers and consumers. Our inability to innovate, develop and bring our mobile products to market and delays in the ramp up of new product deliveries may result from a variety of factors, including failure to anticipate consumer trends and needs; insufficient and ineffective internal and external execution in our research and product development processes; or an inability to secure necessary components or software assets from suppliers in sufficient quantities on a timely basis. Additionally, the software complexity and integration of the hardware and software functionalities, particularly in our smartphones, may cause unforeseen delays even close to anticipated launch of the mobile product. We are also increasingly dependent on application developers and other partners, which can lead to additional challenges and delays that are largely outside of our control.

Our ability to innovate and the need to increase the speed of our product development and execution are critical to the success of our new strategy, particularly the implementation of Windows Phone as our primary smartphone platform and in bringing products to market in a timely manner. In addition to the factors described above, delays in innovation, product development and execution may result from the added complexity of working in partnership with Microsoft to produce Nokia Windows Phone smartphones. For example, we may not be successful in changing our mode of working to collaborate effectively and efficiently with Microsoft, or be able to quickly determine and build the necessary infrastructure to manufacture Nokia Windows Phone smartphones, source the right chipsets and generally integrate the hardware and software that both we and Microsoft will be contributing.

Failures or delays in understanding or anticipating market trends or delays in innovation, product development and execution may result in a suboptimal portfolio of mobile products, gaps in certain price points or an uncompetitive offering. Our failure to deliver mobile products in a timely fashion to markets and in sufficient quantities not only may have a negative effect on our market share, net sales and profitability, but may also erode our brand through consumer disappointment. Moreover, our customers and consumers expect that the services and applications provided with and in connection with our mobile products have the same or more capabilities than those of our competitors, function properly and are of high quality. If we fail in launching the services, have insufficient breadth of available applications or content, have inadequate or unsuccessful updates to them or there are other defects or quality issues with our mobile products, this may cause consumer retention and engagement for our mobile products to deteriorate.

We may be unable to retain, motivate, develop and recruit appropriately skilled employees, which may hamper our ability to implement our strategies, particularly our new mobile product strategy.

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 and products. This is particularly important for the successful implementation of our new mobile product strategy and the proposed Microsoft partnership, where we need highly-skilled, innovative and solutions-oriented personnel with new capabilities. The implementation of our new strategy is expected to have a significant impact on our personnel, including substantial reductions in personnel following the appropriate consultations. This 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 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. Moreover, our employees may be targeted aggressively by our competitors during the implementation of our new 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 our new strategy 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.

We face intense competition in the mobile products and digital map data and related location-based content markets.

We experience intense competition in every aspect of our business and across all markets for our mobile products. Mobile device markets are increasingly segmented, diversified and commoditized. We face competition from a growing number of participants in different user segments, price points and geographical markets, as well as layers of the mobile product using different competitive means in each of them. In some of those layers, we may have more limited experience and scale than our competitors. This makes it more difficult and less cost-efficient for us to compete successfully with differentiated offerings across the whole mobile device market against more specialized competitors. It also limits our ability to leverage effectively our scale and other traditional strengths, such as our brand, manufacturing and logistics, distribution, strategic sourcing, R&D and intellectual property, to achieve significant advantages compared to our competitors.

In the smartphone market, we face intense competition from traditional mobile device manufacturers and companies in related industries, such as Internet-based product and service providers, mobile operators, business device and solution providers and consumer electronics manufacturers. Some of those competitors are currently viewed as more attractive partners for application developers, content providers and other key industry participants, resulting in more robust global ecosystems and more appealing smartphones; have more experience, skills, speed of product development and execution, including software development, and scale in certain segments of the smartphone market; have a stronger market presence and brand recognition for their smartphones; have created different business models to tap into significant new sources of revenues, such as advertising and subscriptions; or generally have been able to adjust their business models and operations in an effective and timely manner to the developing smartphone and related ecosystem market requirements.

The availability and success of Google’s free open source Android platform has made entry and expansion in the smartphone market easier for a number of hardware manufacturers which have chosen to join Android’s ecosystem, especially at the mid-to-low range of the smartphone market. Product differentiation is more challenging, however, potentially leading to increased commoditization of Android-based devices with the resulting downward pressure on pricing. On the other hand, the significant momentum and market share gains of the global ecosystems around Apple’s iOS proprietary platform and the Android platform have increased the competitive barriers to additional entrants looking to build a competing global smartphone ecosystem, like Nokia using the Windows Phone platform. At the same time, other ecosystems are being built which are attracting developers and consumers, such as Research in Motion’s efforts around Blackberry Messenger, and may result in fragmentation among ecosystem participants and the inability of new ecosystems to gain sufficient competitive scale. During the transition of our smartphones to the Windows Phone platform, our competitors will endeavor to attract our current and future consumers, mobile operators and other customers to their smartphone offerings. If our competitors succeed in that endeavor, this would erode our smartphone market share, which we may not be able to regain when quantities of Nokia Windows Phone smartphones are commercially available.

In the mobile phones market, an increasing number of our competitors, particularly recent entrants, have used, and we expect will continue to use, more aggressive pricing and marketing strategies, different design approaches and alternative technologies which consumers may prefer over our offering of mobile phones. Some competitors have chosen to focus on building mobile phones based on commercially available components, software and content, in some cases available at very low or no cost, which enable them to introduce their products much faster and at significantly lower cost to them and the consumer than we are able to do. We also face competition from vendors of legitimate, as well as unlicensed and counterfeit, products with manufacturing facilities primarily centered around certain locations in Asia and other emerging markets. The entry barriers for these vendors are very low as they are able to take advantage of licensed and unlicensed commercially available free or low cost components, software and content. Our failure to provide low cost differentiated alternatives for consumers in a timely manner or to enforce our intellectual property rights adversely affects our ability to compete efficiently in the market for mobile phones. Some of our competitors may also benefit from governmental support in their home countries and other measures that may have protectionist objectives. These factors could reduce the price competitiveness of our mobile phones and have a material adverse effect on our sales and profitability.

We do not currently have tablets in our mobile product portfolio, which may result in our inability to compete effectively in that market segment in the future or forgoing that potential growth opportunity in the mobile market.

With respect to digital map data and related location-based content, several global and local companies, as well as 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. For example, NAVTEQ competes with Google which uses an advertising-based model allowing consumers and companies to use its map data and related services in their products free of charge. NAVTEQ also competes with companies such as TomTom, which licenses its map data and where competition is focused on the quality of the map data and pricing, and Open Street Map, which is a community-generated open source map available to users free of charge. Aerial, satellite and other location-based imagery is also becoming increasingly available and competitors are offering location-based products and services with the map data to both business customers and consumers in order to differentiate their offerings. Those developments may encourage new market entrants, cause business customers to incorporate map data from sources other than NAVTEQ or reduce the demand for fee-based products and services which incorporate NAVTEQ’s map database. Accordingly, NAVTEQ must positively differentiate its digital map data and related location-based content from similar offerings by our competitors and create competitive business models for our customers. In particular, the proposed Microsoft partnership business model to integrate our location-based assets, including NAVTEQ, with Microsoft’s Bing search engine and adCenter advertising platform to form a local search and advertising capability that generates new sources of revenue for us may not materialize as expected, or at all. This could also decrease the value of our location-based assets that might result in impairment charges.

Our ability to maintain and leverage our traditional strengths in the mobile product market may be impaired if we are unable to retain the loyalty of our mobile operator and distributor customers and consumers as a result of the implementation of our new strategy or other factors.

We have a number of competitive strengths that have historically contributed significantly to our sales and profitability. These include our substantial scale, our differentiating brand, our world-class manufacturing and logistics system, the industry’s largest distribution network and our strong relationships with our mobile operator and distributor customers. Going forward, these strengths are critical core competencies that we will bring to the proposed partnership with Microsoft and the implementation of our Windows Phone smartphone strategy. Our ability to maintain and leverage these strengths also continues to be important to our competitiveness in the mobile phones market.

As discussed above, however, the proposed Microsoft partnership and the adoption of Windows Phone as our primary smartphone platform are subject to certain risks and uncertainties. Several of those risks and uncertainties relate to whether our mobile operator and distributor customers and consumers will be satisfied with our new strategy and proposed partnership with Microsoft. If those risks were to materialize and mobile operator and distributor customers and consumers as a consequence reduce their support and purchases of our mobile products, this would reduce our market share and net sales and in turn may erode our scale, brand, manufacturing and logistics, distribution and customer relations. The erosion of those strengths would impair our competitiveness in the mobile products market and our ability to execute successfully our new strategy and to realize fully the expected benefits of the proposed Microsoft partnership.

Also, as result of market developments, competitors' actions or other factors within or out of our control, we may not be able to maintain these competitive strengths that we have benefitted from historically. It is also possible that such strengths or some of them become less relevant in the future or are replaced by other type of strengths required for future success in the mobile product market.

If any of the companies we partner and collaborate with, including Microsoft, 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 mobile products to market successfully or in a timely way.

We are increasingly collaborating and partnering with third parties to develop technologies and products for our smartphones and mobile phones. These arrangements involve the commitment by each party of various resources, including technology, research and development efforts, services and personnel. Today, mobile products are developed in an ecosystem of multiple partnerships with different industry participants where our ability to collaborate successfully with the right partners is critical to our success in creating and delivering mobile products that are preferred by our customers and consumers. Although the objective of the collaborative and partnering arrangements is a mutually beneficial outcome for each party, our ability to introduce new mobile products 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.
- 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.
- 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 increasing reliance on collaborative partnering for Nokia-branded or co-branded products

may result in more variable quality due to our more limited control which may have a negative effect on our reputation and erode the value of the Nokia brand.

The failure of the limited number of suppliers we depend on for the timely delivery of sufficient quantities of fully functional components, sub-assemblies and software on favorable terms and for their compliance with our supplier requirements could materially adversely affect our ability to deliver our mobile products profitably and on time.

Our manufacturing operations depend on obtaining sufficient quantities of fully functional components, sub-assemblies and software on a timely basis. Our principal supply requirements for our mobile 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 may be available only from a limited number of suppliers. In addition, our dependence on third-party suppliers has increased as a result of our strategic decisions to outsource certain activities, for example parts of our own chipset as well as wireless modems R&D, and to expand the use of commercially available chipsets and wireless modems. Suppliers may from time to time extend lead times, limit supplies, change their partner preferences, 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 mobile products on a timely basis. If we fail to anticipate customer demand properly, an over-supply or under-supply of components and production capacity could occur. In many cases, some of our competitors utilize the same contract manufacturers. If they have purchased capacity ahead of us, this could prevent us from acquiring the needed products, 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. Additionally, with the increased bargaining power of other large manufacturers in the mobile device and electronics industry, we may not be able to achieve as favorable terms as in the past resulting in increased costs that we may not be able to pass on to our customers, as well as lapses in the availability of certain components, especially in situations of tight supply.

Moreover, a supplier may fail to meet our supplier requirements, such as, most notably, our and our customers' and consumers' product quality, safety, security and other standards. Consequently, some of our products may be unacceptable to us and our customers and consumers, or may fail to meet our quality controls. In case of issues affecting a product's safety or regulatory compliance, we may be subject to damages due to product liability, or defective products, components or services may need to be replaced or recalled. Also, some suppliers may not be compliant with local laws, including, among others, 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. Due to our high volumes, any of these events could delay our successful and timely delivery of products that meet our and our customers' and consumers' quality, safety, security and other requirements, or otherwise materially adversely affect our sales and results of operations or our reputation and brand value.

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

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

We may fail to efficiently manage our manufacturing, service creation and delivery as well as logistics without interruption or make timely and appropriate adjustments, or fail to ensure that our products meet our and our customers' and consumers' requirements and are delivered on time and in sufficient volumes.

Our product manufacturing, service creation and delivery as well as 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 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, both ramping up and down production at our facilities as needed on a timely basis; maintaining an optimal inventory level; adopting new manufacturing processes; finding the most timely way to develop the best technical solutions for new products; managing the increasingly complex manufacturing process for our high-end products, particularly the software for those products; adapting our manufacturing processes for the requirements of the Windows Phone platform and the production of Nokia Windows Phone smartphones; or achieving manufacturing efficiency and flexibility, whether we manufacture our products and create our services ourselves or outsource to third parties. We may also face challenges in retooling our manufacturing processes to accommodate the production of devices in smaller lot sizes to customize devices to the specifications of certain mobile networks operators or to comply with regional technical standards. Further, we may experience challenges in having our services and related software fully operational at the time they are made available to customers and consumers, including issues related to localization of the services to numerous markets and to the integration of our services with, for example, billing systems of network operators.

We have from time to time outsourced manufacturing of certain products and components to adjust our production to demand fluctuations as well as to benefit from expertise others have in the production of certain mobile technologies. In future, we may increase the use of contract manufacturers to produce in the normal course the entire product, which is subject to certain risks involving, for example, the choice of contract manufacturers, the need to change our mode of operation to work effectively and efficiently with such manufacturers and otherwise manage the complexities of such relationships to ensure that the products meet all of the required specifications. 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 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, 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' and consumers' 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 the Nokia brand.

Any actual or even alleged defects or other quality, safety and security issues in our products, including the hardware, software and content used in our products, could have a material adverse effect on our sales, results of operations, reputation and the value of the Nokia brand.

Our products are highly complex, and defects in their design, manufacture and associated hardware, software and content have occurred and may occur in the future. Due to the very high production volumes of many of our mobile devices, even a single defect in their design, manufacture or associated hardware, software and content may have a material adverse effect on our business. Our smartphones, in particular, incorporate numerous functionalities, feature computer-like and consumer electronics-like hardware and are powered by sophisticated software. This complexity and the need for the seamless integration of the hardware, software and services elements and compatibility with other relevant technologies may also increase the risk of quality issues in our smartphones. Further, our mobile product portfolio is subject to continuous renewal which, particularly during periods of significant portfolio renewals, may increase the risk of quality issues related to our products, in particular in smartphones.

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. Prior to shipment, quality issues may cause failures in ramping up the production of our products and shipping them to customers in a timely manner as well as related additional costs or even cancellation of orders by customers. After shipment, products may fail to meet marketing expectations set for them, may malfunction or may contain security vulnerabilities, and thus cause additional repair, product replacement, recall or warranty costs to us and harm our reputation. In case of issues affecting a product’s safety, regulatory compliance including but not limited to privacy or security, we may be subject to damages due to product liability, and defective products, components or service offerings may need to be replaced or recalled. 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 consumers and maintaining them on an ongoing basis. The use of NAVTEQ’s map data in our customers’ products and services, including Ovi Maps in our mobile devices, 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, the 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.

We make provisions to cover our estimated warranty costs for our products. We believe that our provisions are appropriate, although the ultimate outcome may differ from the provided level which could have a positive or negative impact on our results of operations and financial condition.

Our mobile devices and related accessories are also subject to counterfeiting activities in certain markets. Counterfeit products may erode our brand due to poor quality. Such activities may affect us disproportionately due to our brand recognition in various markets. Furthermore, our products 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. However, such components, such as batteries or software applications and content, may not be compatible with our products and may not meet our and our customers’ and consumers’ quality, safety, security or other standards. Additionally, certain components or layers that may be used with our products may enable them to be used for objectionable purposes, such as to transfer content that might be illegal, hateful or derogatory. The use of our products with incompatible or otherwise substandard hardware, software or software components, or for purposes that are inappropriate, is largely outside of our control and could harm the Nokia brand.

Any actual or alleged loss, improper disclosure or leakage of any personal or consumer data collected by us or our partners or subcontractors, made available to us or stored in or through our products could have a material adverse effect on our sales, results of operations, reputation and value of the Nokia brand.

Although we endeavor to develop products that meet the appropriate security standards, such as data protection, we or our products may be subject to hacking, viruses, worms and other malicious software, unauthorized modifications or illegal activities that may cause potential security risks and other harm to us, our customers or consumers and other end-users of our products. This may affect us disproportionately due to our market position in mobile products, as hackers tend to focus their efforts on popular products. Due to the very high volumes of many of our mobile products, and the evolving nature of services and map data, such events or mere allegations of such events may have a material adverse effect on our business.

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 our products, in particular with smartphones, 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 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 or our reputation and brand value.

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

We need to introduce products in a cost-efficient and timely manner and manage proactively the costs and cost development related to our portfolio of products, including component sourcing, manufacturing, logistics and other operations. Historically, our market position and scale provided a significant cost advantage in many areas of our business, such as component sourcing, compared to our competitors, but our ability to leverage that advantage is now more limited. As well, we have benefitted from the cost of components eroding more rapidly than the price erosion of our mobile products. Recently, however, component cost erosion is generally slowing, a trend which adversely affected our profitability in 2010, and may do so in the future. Currency fluctuations may also have an adverse impact on our ability to manage our costs relative to certain of our competitors who incur a material part of their costs in other currencies than we do. If we fail to maintain or improve our market position and scale compared to our competitors across the range of our products, as well as leverage our scale to the fullest extent, or if we are unable to develop or otherwise acquire software, applications and content cost competitively in comparison to our competitors, or if our costs increase relative to those of our competitors due to currency fluctuations, any relative cost advantage may be eroded, which could materially adversely affect our competitive position, business and results of operations, particularly our profitability.

We need to manage our operating expenses and other internal costs to maintain cost efficiency and competitive pricing of our products. 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 reductions could have a material adverse effect on our business, results of operations and financial condition. In particular, our profitability could be materially adversely affected when we transition from our royalty-free Symbian smartphone platform to the royalty-based Windows Phone platform if we are unable to offset our higher cost of sales resulting from our royalty payments to Microsoft with new revenue sources from the proposed Microsoft partnership and a reduction in our operating expenses, particularly our research and development expenses.

Our products are subject to price erosion, both naturally over their life cycle and as a result of various other factors, including increased price pressure. We have also in the past and may continue to increase the proportion of devices sold at lower prices to reach wider groups of consumers, particularly in our smartphones. Other factors that may adversely impact the selling price of our mobile devices include the extent to which consumers do not upgrade their mobile devices, postpone replacement or replace their current device with a lower-priced device and the extent to which our regional mix is weighted towards emerging markets where lower-priced products predominate. Moreover, some of our competitors may continue to reduce their prices resulting in significantly lower profit margins than is customary or sustainable on a long-term basis in this industry, which would lower the selling price of our devices if we chose for competitive reasons to lower our prices. Our inability to lower our costs at the same rate or faster than the price erosion of our devices could have a material adverse effect on our business and results of operations, particularly our profitability.

We may be unable to effectively and smoothly implement the new operational structure for our devices and services business effective April 1, 2011.

We announced a new strategy, leadership team and operational structure for our devices and services business on February 11, 2011 designed to focus on speed, results and accountability. Effective April 1, 2011, there will be two business units: Smart Devices, focused on smartphones, and Mobile Phones, focused on mass-market mobile phones. The new strategy and operational structure is expected to have a significant impact on our operations and personnel, including substantial reductions in personnel following the appropriate consultations, as well as the related costs of the operational restructuring and personnel reductions.

The new strategy also involves changing our mode of working and culture to facilitate speed and agility in our innovation, product development and execution and accountability for results. Organizational changes of this nature consume significant time, attention and resources of our senior management and others within the organization, potentially diverting their attention from other aspects of our business. Additionally, when such changes are planned and implemented they 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 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 associated in dealing with such matters. Moreover, our employees may be targeted aggressively by our competitors during the implementation of our new strategy, and some employees may be more receptive to such offers leading to the loss of key personnel. These factors may have a more pronounced adverse impact due to the cumulative effect of the previous reorganizations. Should we fail to implement the new operational structure effectively and smoothly and effect the changes in our mode of working and culture, the efficiency of our operations and performance may be affected, which could have a material adverse effect on our business and results of operations, particularly our profitability. See “Item 4A. ‘‘History and Development of the Company—Organizational Structure” for more information about our new operational structure.

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

Our sales and profitability are dependent on the development of the mobile and fixed communications industry in numerous diverse markets in terms of the number of new mobile subscribers, the number of existing subscribers who upgrade or replace their existing mobile devices and the number of active users of applications and services on our devices. In certain low penetration markets, in order to support a continued increase in mobile subscribers, we continue to be dependent on our own and mobile network operators' and distributors' ability to increase the sales volumes of lower cost mobile devices and on mobile network operators to offer affordable tariffs and tailored mobile network solutions designed for a low total cost of ownership. In highly penetrated markets, we are more dependent on our own and mobile network operators' ability to successfully introduce value-added products, such as smartphones that drive the upgrade and replacement of devices, as well as ownership of multiple devices. We are also dependent on developers' interest and success in creating value-added applications and other content in our products to achieve differentiation and additional consumer demand. NAVTEQ is dependent on the development of a wide variety of products that use its data, the availability and functionality of such products and the rate at which consumers and businesses purchase those products. Nokia Siemens Networks is dependent on the pace of investments made by mobile network operators and service providers in network infrastructure and related services. If we and the other market participants are not successful in our attempts to increase subscriber numbers, stimulate increased usage or drive upgrade and replacement sales of mobile devices and develop and increase demand for value-added services, or if mobile network operators and service providers invest in the related infrastructure and services less than anticipated, our business and results of operations could be materially adversely affected.

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 impacts of deteriorations in global economic conditions. Although the overall economic environment improved during 2010, in comparison to 2009, there still can be no assurances that a sustainable global recovery is underway or about the impact and timing of any such recovery in the various market where we do business. Continued uncertainty or deterioration in global economic conditions may result in our current and potential customers and consumers postponing or reducing spending on our products. In addition, mobile network operators may reduce the device subsidies that they offer to the consumers or attempt to extend the periods of contracts that obligate the consumer to use a certain device and postpone or reduce 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.

In addition, any further deterioration in the global or regional economic conditions may:

- Limit the availability of credit or raise the interest rates related to credit which may have a negative impact on the financial condition, and in particular on the purchasing ability, of some of our distributors, independent retailers and network operator customers and may also result in requests for extended payment terms, credit losses, insolvencies, limited ability to respond to demand or diminished sales channels available to us.
- 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.
- 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.
- 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.

- 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.
- Result in increased and/or more volatile taxes which could negatively impact our effective tax rate.
- Impact our investment portfolio and other assets and result in impairment.

We currently believe our funding position to be 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. For a more detailed discussion of our liquidity and capital resources, see Item 5B. “Liquidity and Capital Resources” and Note 35 of our consolidated financial statements included in Item 18 of this annual report.

Our 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 impact on our results of operations, particularly our profitability. Further, exchange rate fluctuations may have an adverse affect on our net sales, costs and results of operations, as well as our competitive position. Exchange rate fluctuations may also make our pricing more difficult as our products may be re-routed by the distribution channels for sale to consumers in other geographic areas where sales can be made at more favorable exchange rates by those channels. Further, exchange rate fluctuations may also materially affect the US dollar value of any dividends or other distributions that are paid in euro as well as the market price of our ADSs. For a more detailed discussion of exchange risks, see Item 5A. “Operating Results—Certain Other Factors—Exchange Rates” and Note 35 of our consolidated financial statements included in Item 18 of this annual report.

Our products 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 and/or costly and time-consuming litigation, which could have a material adverse effect on our business, results of operations and financial condition.

Our products include increasingly complex technologies, some of which have been developed by us and some 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 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 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 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 and such claims may also influence consumer behavior.

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 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 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. 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 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 that could have a material adverse effect on our business, results of operations and financial condition.

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 Nokia's corporate structure or in companies under Nokia's 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.

Nokia Siemens Networks has access to certain licenses through cross-licensing arrangements with its current shareholders, Nokia and Siemens. If there are changes to Nokia Siemens Networks' corporate structure, including a sale of Nokia Siemens Networks' shares by one or both of its current shareholders, Nokia Siemens Networks may be unable to rely on some of its existing licenses. There can be no assurance that such licenses could be replaced on terms that are commercially acceptable.

We make accruals and provisions to cover our estimated total direct IPR costs for our products. The total direct IPR cost consists of actual payments to licensors, accrued expenses under existing agreements and provisions for potential liabilities. We believe that our accruals and provisions are appropriate for all technologies owned by others. The ultimate outcome, however, may differ from the provided level which could have a positive or negative impact on our results of operations and financial condition.

Any restrictions on our ability to sell our products due to expected or alleged infringements of third-party intellectual property rights and any intellectual property rights claims, regardless of merit, could result in material losses of profits, costly litigation, the payment of damages and other compensation, the diversion of the attention of our personnel, product shipment delays or the need for us to develop non-infringing technology or to enter into a licensing agreement. If licensing agreements were not available or available on commercially acceptable terms, we could be precluded from making and selling the affected products, 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—Devices & Services—Patents and Licenses"; "—NAVTEQ—Patents and Licenses" and "—Nokia Siemens Networks—Patents and Licenses" for a more detailed discussion of our intellectual property activities.

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

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

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

Our 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 those countries represent a significant portion of our total sales, economic or political turmoil in those 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 those countries represent a significant portion of our total sales and those countries represent a significant portion of any expected industry growth. Accordingly, economic or political turmoil in those countries could materially adversely affect our sales and results of operations and the supply of devices and network infrastructure equipment manufactured in those countries. 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, 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. For example, Nokia Siemens Networks, as well as its competitors, were adversely affected in 2010 by the implementation of security clearance requirements in India which prevented the completion of product sales to customers, and could be similarly affected again in 2011, leading to ongoing uncertainty in that market. See Note 2 to our consolidated financial statements included in Item 18 of this annual report for more detailed information on geographic location of net sales to external customers, segment assets and capital expenditures.

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

Our business is subject to direct and indirect regulation in each of the countries in which we, the companies with which we work and our customers do business. 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. Export control, tariffs or other fees or levies imposed on our products and environmental, product safety and security and other regulations that adversely affect the export, import, pricing or costs of our products could also adversely affect our sales and results of operations. For example, copyright collecting societies in several member states of the EU as well as in several other countries claim that due to their capability to play and store copyrighted content, mobile devices should be subject to similar copyright levies that are charged for products such as compact disc, digital video disc or digital audio players. Any new or increased levies and duties could result in costs which lead to higher prices for our products, which may in turn impair their demand. 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.

Our expansion into the provision of services 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 the services. These changes or increased costs could negatively impact our business.

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 addition to changes in regulation and trade policies, our business may be adversely affected by local business culture and general practices in some regions that are contrary to our code of conduct. If our employees or subcontractors engage in any bribery, corruption or other unsound business practices, this may result in fines, penalties or other sanctions to us. Additionally, such practices or allegations of such practices 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. 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 operations rely on the efficient and uninterrupted operation of complex and centralized information technology systems and networks. If a system or network inefficiency, malfunction or disruption occurs, this could have a material adverse effect on our business and results of operations.

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

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 and divert the efforts of our management. 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.

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.

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

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

There has been public speculation about possible health risks to individuals from exposure to electromagnetic fields from base stations and from the use of mobile devices. A substantial amount of scientific research conducted to date by various independent research bodies has indicated that these radio signals, at levels within the limits prescribed by safety standards set by, and recommendations of, public health authorities, present no adverse effect on human health. We cannot, however, be certain that future studies, irrespective of their scientific basis, will not suggest a link between electromagnetic fields and adverse health effects that could 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 ten years Nokia has been involved in several class action matters alleging that Nokia and other manufacturers and cellular service providers failed to properly warn consumers of alleged potential adverse health effects and failed to include headsets with every handset to reduce the potential for alleged adverse health effects. All but one of these cases have been withdrawn or dismissed, with one dismissal currently on appeal. 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.

Although Nokia products are designed to meet all relevant safety standards and recommendations globally, we cannot guarantee we will not become subject to product liability claims or be held liable for such claims or be required to comply with future regulatory changes in this area that could have a material adverse effect on our business. Even a perceived risk of adverse health effects of mobile devices or base stations could have a material adverse effect on us through a reduction in 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.

Nokia Siemens Networks

In addition to the risks described above, the following are risks primarily related to Nokia Siemens Networks that could affect Nokia.

Nokia Siemens Networks may be unable to execute effectively and in a timely manner its plan designed to improve its financial performance and market position and increase profitability or Nokia Siemens Networks may be unable to otherwise continue to reduce operating expenses and other costs.

Nokia Siemens Networks announced in 2009 a plan designed to improve its financial performance and market position and increase profitability. The plan included a reorganization of Nokia Siemens Networks’ business units to provide a more customer-focused structure, which came into effect on January 1, 2010, as well as extensive operating expense, production overhead and procurement cost reductions. The plan also included a global personnel review which resulted in personnel reductions. Implementation of the plan is continuing. In addition, Nokia Siemens Networks otherwise seeks to reduce operating expenses and other costs on an ongoing basis.

Executing this plan has consumed and may continue to consume significant time, attention and resources of Nokia Siemens Networks' management which could negatively impact Nokia Siemens Networks' business. Personnel reductions may result in reduced productivity and dissatisfaction among employees and lead to loss of key personnel. These factors may have a more pronounced adverse impact due to Nokia Siemens Networks having been subject to various restructuring measures in the past. If Nokia Siemens Networks fails to execute its plan successfully or to otherwise reduce its operating expenses and other costs on an ongoing basis, its market share may decline which could result in the loss of scale benefits and reduce competitiveness and its financial performance may deteriorate.

Nokia Siemens Networks is a company jointly owned by Nokia and Siemens and consolidated by Nokia. Accordingly, the financial performance of Nokia Siemens Networks, including the announced measures targeted to improve its financial performance, may also require further support from the shareholders of Nokia Siemens Networks in the form of additional financing, guarantees, consents or agreements by the shareholders regarding measures planned by its management, or through other means. Nokia and Siemens do not, however, guarantee Nokia Siemens Networks' current financial obligations. If Nokia Siemens Networks fails to achieve such support from its shareholders, our business, results of operations and financial condition could be materially adversely affected.

In addition, Nokia Siemens Networks has received expressions of interest from private equity firms seeking to invest. There can be no assurance that such expressions of interest will result in any further investment in Nokia Siemens Networks, nor can there be any assurance that the ownership of Nokia Siemens Networks will, or will not, change in the future or any new shareholder will provide any support to Nokia Siemens Networks.

Competition in the mobile and fixed networks infrastructure and related services market is intense. Nokia Siemens Networks' may be unable to maintain or improve its market position or respond successfully to changes in the competitive environment.

The competitive environment in the mobile and fixed networks infrastructure and related services market continues to be intense and is characterized by equipment price erosion, a maturing of industry technology and intense price competition. Moreover, mobile network operators' cost reductions are reducing the amount of available business resulting in increased competition and pressure on pricing and profitability. Overall, participants in this market compete with each other on the basis of product offerings, technical capabilities, quality, service and price. Nokia Siemens Networks competes with companies that have larger scale and higher margins affording such companies more flexibility on pricing, while some competitors may have stronger customer finance possibilities due to internal policies or governmental support, for example in the form of trade guarantees, allowing them to offer products and services at very low prices or with attractive financing terms. Nokia Siemens Networks also faces increasing competition from the entry into the market of low cost competitors from China, which endeavor to gain market share by leveraging their low cost advantage in tenders for customer contracts. Competition for new communication service provider customers as well as for new infrastructure deployments is particularly intense and focused on price. In addition, new competitors may enter the industry as a result of acquisitions or shifts in technology. If Nokia Siemens Networks cannot respond successfully to the competitive requirements in the mobile and fixed networks infrastructure and related services market, our business and results of operations, particularly profitability, may be materially adversely affected.

Nokia Siemens Networks seeks to increase sales in geographic markets in which price competition is less intense. If Nokia Siemens Networks is not successful in increasing its sales in those markets or the price competition in those markets intensifies, as a result of the entry into those markets of low cost competitors, price reductions by existing competitors or otherwise, our business, sales, results of operations, particularly profitability, and financial condition may be materially adversely affected.

In addition, Nokia Siemens Networks has expanded its enterprise mobility infrastructure as well as its managed service, systems integration and consulting businesses through acquisitions and collaborative arrangements, such as partnering with third parties. Nokia Siemens Networks expects to make further investments in these areas in a focused manner. If Nokia Siemens Networks fails to increase its competitiveness through these and other measures and if there is a deterioration of Nokia Siemens Networks financial performance as a result, this may have a material adverse effect on our business, results of operations and financial condition, and we may need to make further impairment charges.

Nokia Siemens Networks' liquidity and its ability to meet its working capital requirements depend on access to available credit under Nokia Siemens Networks' credit facilities and other credit lines. If a significant number of those sources of liquidity were to be unavailable, or cannot be refinanced when they mature, this would have a material adverse effect on our business, results of operations and financial condition.

To provide liquidity and meet its working capital requirements, Nokia Siemens Networks is party to certain credit facilities and has arranged for other committed and uncommitted credit lines. Nokia Siemens Networks' ability to draw upon those resources is dependent upon a variety of factors, including compliance with existing covenants, the absence of any event of default and, with respect to uncommitted credit lines, the lenders' perception of Nokia Siemens Networks' credit quality. The covenants under Nokia Siemens Networks' existing credit facilities require it, among other things, to maintain a maximum gearing ratio. Nokia Siemens Networks' ability to satisfy these and other existing covenants may be affected by events beyond its control and there can be no assurance that Nokia Siemens Networks will be able to comply with its existing covenants in the future. Any failure to comply with the covenants under any of Nokia Siemens Networks' existing credit facilities may constitute a default under its other credit facilities and credit lines and may require Nokia Siemens Networks to either obtain a waiver from its creditors, renegotiate its credit facilities, raise additional financing from existing or new shareholders or repay or refinance borrowings in order to avoid the consequences of a default. There can be no assurance that Nokia Siemens Networks would be able to obtain such a waiver, to renegotiate its credit facilities, to raise additional financing from existing or new shareholders or to repay or refinance its borrowings on terms that are acceptable to it, if at all. In addition, any failure by Nokia Siemens Networks to comply with its existing covenants, any actual or perceived decline in Nokia Siemens Networks' business, results of operations or financial condition or other factors may result in a deterioration of lenders' perception of Nokia Siemens Networks' credit quality, which may negatively impact Nokia Siemens Networks' ability to renegotiate its credit facilities, refinance its borrowings or to draw upon its uncommitted credit lines. Although Nokia Siemens Networks believes it has sufficient resources to fund its operations, if a significant number of those sources of liquidity were to be unavailable, or cannot be refinanced when they mature, this could have a material adverse effect on our business, results of operations and financial condition.

Nokia Siemens Networks may be unable to complete its planned acquisition of the majority of the wireless infrastructure networks assets of Motorola in a timely manner, or at all, and, if completed, to successfully integrate the acquired business or cross-sell Nokia Siemens Networks' existing products and services to customers of the acquired business and realize the expected synergies and benefits of the acquisition.

On July 19, 2010, Nokia Siemens Networks and Motorola jointly announced that Nokia Siemens Networks and Motorola had entered into an agreement under which Nokia Siemens Networks will acquire the majority of Motorola's wireless network infrastructure assets for USD 1.2 billion in cash.

The acquisition is subject to customary closing conditions, including regulatory approvals, and is subject to certain risks and uncertainties, including:

- The acquisition does not receive all regulatory approvals or fulfil closing conditions and does not close in a timely manner, or at all.
- The financial data on which the decision to undertake the acquisition was based on is materially inaccurate
- The difficulty in integrating the acquired business in an efficient and effective manner.
- The challenges in achieving the strategic objectives, cost savings and other benefits from the acquisition.
- Existing customers of the acquired business may be reluctant, unwilling or unable to maintain their customer relationship with Nokia Siemens Networks after the acquisition.
- The markets of the acquired business do not evolve as anticipated and the technologies acquired do not prove to be those needed to be successful in those markets.
- Nokia Siemens Networks may not successfully access the acquired business' existing product markets due to a lack of requisite capabilities, regulatory reasons or otherwise.
- The potential loss of key employees of the acquired business.
- The risk of diverting the attention of senior management from Nokia Siemens Networks' operations.
- The risks associated with integrating financial reporting and internal control systems.
- Difficulties in expanding information technology systems and other business processes to accommodate the acquired business.
- Impairments of goodwill could arise as a result of the acquisition.
- Unexpected contingent or undisclosed liabilities may be acquired with the acquired business and agreed indemnities may provide insufficient coverage against such liabilities.
- If Nokia Siemens Networks does not successfully cross-sell its existing products and services to customers of the acquired business, Nokia Siemens Networks may not realize the expected expansion of its customer base.

Nokia Siemens Networks' may fail to effectively and profitably invest in new products, services, upgrades and technologies and bring them to market in a timely manner.

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

Nokia Siemens Networks' success depends to a significant extent on the timely and successful introduction of new products, services and upgrades of current products to comply with emerging industry standards and to address competing technological and product developments carried out by Nokia Siemens Networks' 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. Nokia Siemens Networks may focus its resources on technologies that do not become widely accepted or ultimately prove not to be viable. Nokia Siemens Networks' sales and operating results will depend to a significant extent on its ability to maintain a product portfolio and service capability that is attractive to its customers; to enhance its existing products; to continue to introduce new products successfully and on a timely basis and to develop new or enhance existing tools for its services offerings.

Nokia Siemens Networks’ failure to effectively and profitably invest in new products, services, upgrades and technologies and bring them to market in a timely manner could result in a loss of sales and market share and could have a material adverse effect on our results of operations, particularly profitability, and financial condition.

Increasingly, Nokia Siemens Networks’ sales and profitability depend on its success in the telecommunications infrastructure services market. Nokia Siemens Networks’ may fail to effectively and profitably adapt its business and operations in a timely manner to the increasingly diverse service needs of its customers.

A key component of Nokia Siemens Networks’ business priorities is an increasing focus on the mobile and fixed networks infrastructure services market, which it believes will be a key driver of its sales and profitability. Nokia Siemens Networks’ success in the services market is dependent on a number of factors, including adapting its policies and procedures to the additional emphasis on a services business model, recruiting and retaining skilled personnel, its ability to successfully develop recognition as a software and services company and acceptance of its services offering in that market, an ability to maintain efficient and low cost operations, delays in implementing initiatives, further consolidation of Nokia Siemens Networks’ customers, increased competition and other factors which Nokia Siemens Networks may not be able to anticipate.

If Nokia Siemens Networks is not successful in implementing its services business priority and achieving the desired outcomes in a timely manner or if the services market fails to develop in the manner currently anticipated by Nokia Siemens Networks, its business will remain focused on the traditional network systems product offering, which is increasingly characterized by equipment price erosion, maturing industry technology, intense price competition and non-recurring sales. If that occurs, and the current trends in the traditional network systems market continue, this could have a material adverse effect on our business, results of operations, particularly profitability, and financial condition.

The networks infrastructure and related services 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 have a material adverse effect on our business, results of operations and financial condition.

Large multi-year contracts, which are typical in the networks 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 when the contracts were entered into. Moreover, such contracts often require the dedication of substantial amounts of working capital and other resources, which may negatively affect Nokia Siemens Networks’ cash flow, particularly in the early stages of a contract, or may require Nokia Siemens Networks to sell products and services in the future that would otherwise be discontinued, thereby diverting resources from developing more profitable or strategically important products and services. Any non-performance by Nokia Siemens Networks under those contracts may have a material adverse effect on us because network operators have demanded and may continue to demand stringent contract undertakings, such as penalties for contract violations.

The networks infrastructure and related services business is also dependent on a limited number of customers and consolidation among those customers is continuing. In addition, network operators are increasingly entering into network sharing arrangements, which further reduce the number of networks available for Nokia Siemens Networks to service. As a result of this trend and the intense competition in the industry, Nokia Siemens 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.

Providing customer financing or extending payment terms to customers can be a competitive requirement in the networks infrastructure and related services business and may have a material adverse effect on our business, results of operations and financial condition.

Communication service providers in some markets may require their suppliers, including Nokia Siemens 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 Nokia Siemens Networks' working capital, may be significant. In response to the tightening of the credit markets in 2009 and 2010, requests for customer financing and extended payment terms have increased in volume and scope. While Nokia Siemens Networks moderately increased the amount of financing it provided directly to its customers in 2010, as a strategic market requirement Nokia Siemens Networks primarily arranged and facilitated, and plans to continue to arrange and facilitate, financing to a number of customers, typically supported by Export Credit or Guarantee Agencies. In the event that those agencies face future constraints in their ability or willingness to provide financing to Nokia Siemens Networks' customers, it could have a material adverse effect on our business. Nokia Siemens Networks has agreed to extended payment terms for a number of customers, and it will 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.

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

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

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