NOKIA CORP
Form 6-K
January 29, 2015

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a -16 or 15d -16 of

the Securities Exchange Act of 1934

Report on Form 6-K dated January 29, 2015

(Commission File No. 1-13202)

Nokia Corporation

Karaportti 3

FI-02610 Espoo

Finland

(Name and address of registrant s principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F: x Form 40-F: o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes: o **No**: x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes: o **No**: x

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes: o **No**: x

Enclosures:

Nokia stock exchange releases dated January 29, 2015:

- Nokia Corporation Report for Q4 2014 and Full Year 2014
- Nokia Board of Directors convenes Annual General Meeting 2015, dividend of EUR 0.14 per share proposed for 2014
- Nokia Board of Directors approves the Nokia Equity Program 2015

Nokia Corporation Report for Q4 2014 and Full Year 2014 [FULL REPORT ATTACHED TO THE STOCK EXCHANGE RELEASE]

FINANCIAL STATEMENT RELEASE

January 29, 2015

Nokia Corporation Report for Q4 2014 and Full Year 2014

Nokia Corporation

Financial Statement Release

January 29, 2015 at 08:00 (CET +1)

This is a summary of the Nokia Corporation report for Q4 2014 and full year 2014 published today. The complete fourth quarter and full year 2014 report with tables is available at http://company.nokia.com/en/financials. Investors should not rely on summaries of our interim reports only, but should review the complete reports with tables.

FINANCIAL AND OPERATING HIGHLIGHTS

Fourth quarter 2014 highlights:

- **Non-IFRS diluted EPS in Q4 2014 of EUR 0.09 (EUR 0.08 in Q4 2013); reported diluted EPS of EUR 0.08 (EUR 0.05 in Q4 2013)**
- **Net sales in Q4 2014 of EUR 3.8 billion (EUR 3.5 billion in Q4 2013)**

Nokia Networks

- Nokia Networks achieved 8% year-on-year growth in net sales, from EUR 3.1 billion in Q4 2013 to EUR 3.4 billion in Q4 2014, primarily due to strong performance in North America.
- Nokia Networks achieved strong underlying operating profitability with non-IFRS operating profit of EUR 470 million, or 14.0% of net sales, compared to EUR 349 million, or 11.2% of net sales, in Q4 2013.
- Mobile Broadband achieved 13% year-on-year increase in net sales, driven by strong growth in overall core networking technologies and modest growth in overall radio technologies. Within radio technologies, strong year-on-year growth in LTE was partially offset by a decline in mature radio technologies.

- Global Services returned to year-on-year growth for the first time since Q4 2012, with net sales up by 3% and particularly strong growth in the strategically important systems integration business line.

HERE

- HERE achieved 15% year-on-year growth in net sales, from EUR 255 million in Q4 2013 to EUR 292 million in Q4 2014, primarily due to HERE s leading market position and positive trends in the automotive market.

- In Q4 2014, HERE sold map data licenses for the embedded navigation systems of 3.9 million new vehicles, compared to 3.2 million vehicles in Q4 2013.

Nokia Technologies

- Nokia Technologies achieved 23% year-on-year growth in net sales, from EUR 121 million in Q4 2013 to EUR 149 million in Q4 2014, primarily due to Microsoft becoming a more significant intellectual property licensee in conjunction with the sale of substantially all of Nokia s Devices & Services business to Microsoft, as well as higher intellectual property licensing income from certain other licensees.

- In Q4 2014, Nokia Technologies non-IFRS operating expenses increased both year-on-year and sequentially primarily due to investments in business activities, which target new and significant long-term growth opportunities, as well as increased activities related to anticipated and ongoing patent licensing cases.

Full year 2014 highlights:

- **Nokia s full year 2014 non-IFRS diluted EPS grew by 40% to EUR 0.28 (EUR 0.20 in 2013); reported diluted EPS of EUR 0.30 (EUR 0.05 in 2013)**
- **Nokia s full year 2014 net sales of EUR 12.7 billion (EUR 12.7 billion in 2013)**
- **Nokia Board of Directors will propose a dividend of EUR 0.14 per share for 2014 (EUR 0.11 per share for 2013, in addition to which a special dividend of EUR 0.26 per share was paid in 2014)**

Commenting on the fourth quarter and full year results, Rajeev Suri, Nokia President and CEO, said:

2014 was a time of significant change for Nokia and we ended the year in a renewed position of strength. I want to extend my thanks to our customers who have shown such strong support during our transformation and our employees who have worked so hard to make it happen.

The power of the new Nokia could be seen in our fourth quarter results. All of our businesses delivered strong year-on-year net sales growth. Profitability was excellent in Nokia Networks, and we were particularly pleased with our net sales growth in North America and core networks. HERE continued its momentum in the automotive segment, and the early reception to the Nokia N1 tablet has been remarkably favorable, showing the ongoing power of the Nokia brand and the long-term potential of our brand licensing business.

Looking ahead, while 2014 was a year of reinvention, we see 2015 as a year of execution. We are already moving fast, with HERE sharpening its strategic focus, Nokia Technologies accelerating its licensing and innovation activities, and Nokia Networks increasing its momentum in growth areas including virtualization and telco cloud.

As we pursue these opportunities, we will not shy away from investing where we need to invest. But, we plan to always combine that with disciplined cost control and a focus on delivering ongoing productivity and quality improvements across the company.

Overall, while we must remain focused on our execution, I believe that Nokia is well positioned to meet its goals for the year.

SUMMARY FINANCIAL INFORMATION

	Reported and non-IFRS fourth quarter 2014 results(1)					Reported and non-IFRS full year 2014 results(1)		
EUR million	Q4/14	Q4/13	YoY Change	Q3/14	QoQ Change	2014	2013	YoY Change
Continuing Operations								
Net sales	3 802	3 476	9%	3 324	14%	12 732	12 708	0%
Gross margin % (non-IFRS)	43.5%	42.5%		44.5%		44.3%	42.1%	
Operating expenses (non-IFRS)	-1 129	-1 018	11%	-1 006	12%	-3 997	-3 994	0%
Operating profit (non-IFRS)	524	409	28%	457	15%	1 632	1 437	14%
Non-IFRS exclusions from operating profit	70	134		1 267		1 461	919	
Operating profit	454	274	66%	-810		170	518	-67%
Profit (non-IFRS)	356	317	12%	353	1%	1 095	879	25%
Non-IFRS exclusions from profit	29	133		-407		-76	838	
Profit	327	183	79%	760	-57%	1 171	41	2 756%
EPS, EUR diluted (non-IFRS)	0.09	0.08	13%	0.09	0%	0.28	0.20	40%
EPS, EUR diluted (reported)	0.08	0.05	60%	0.19	-58%	0.30	0.05	500%
Net cash from operating activities	270			406	-33%	2 330	1 134	105%
Net cash and other liquid assets	5 023	2 309	118%	5 025	0%	5 023	2 309	118%

Note 1 relating to results information and non-IFRS (also referred to as underlying) results: The results information in this report is unaudited. Percentages and figures presented herein may include rounding differences and therefore may not add up precisely to the totals presented and may vary from previously published financial information. In addition to information on our reported IFRS results, we provide certain information on a non-IFRS, or underlying business performance, basis. Non-IFRS results exclude all material special items for all periods. In addition, non-IFRS results exclude intangible asset amortization and other purchase price accounting related items arising from business acquisitions. We believe that our non-IFRS results provide meaningful supplemental information to both management and investors regarding Nokia s underlying business performance by excluding the above-described items that may not be indicative of Nokia s business operating results. These non-IFRS financial measures should not be viewed in isolation or as substitutes to the equivalent IFRS measure(s), but should be used in conjunction with the most directly comparable IFRS measure(s) in the reported results. More information, including a reconciliation of our Q4 2014 and Q4 2013 non-IFRS results to our reported results, can be found in our complete Q4 2014 and full year 2014 report in tables 14-18. A reconciliation of our Q3 2014 non-IFRS results to our reported results can be found in our complete Q3 2014 interim report with tables on pages 22-27 published on October 23, 2014.

NOKIA S OUTLOOK

- Nokia continues to expect Nokia Networks net sales to grow on a year-on-year basis for the full year 2015.

- Nokia continues to expect Nokia Networks non-IFRS operating margin for the full year 2015 to be in-line with Nokia Networks long-term non-IFRS operating margin range of 8% to 11%.

- Nokia s outlook for Nokia Networks net sales and non-IFRS operating margin is based on expectations regarding a number of factors, including:

- competitive industry dynamics;

- product and regional mix;

- the timing of major network deployments; and

- expected continued operational improvement.

- Nokia expects Nokia Networks net sales and non-IFRS operating margin in the first quarter 2015 to decline seasonally compared to the fourth quarter 2014. Note that Nokia Networks non-IFRS operating margin benefited from a relatively high proportion of software sales in the first quarter 2014.

- Nokia continues to expect HERE s net sales to grow on a year-on-year basis for the full year 2015.

- Nokia now expects HERE s non-IFRS operating margin for the full year 2015 to be between 7% and 12%, based on HERE s leading market position, positive industry trends and improved focus on cost efficiency. This compares to Nokia s previous outlook for HERE s non-IFRS operating margin for the full year 2015 to be between 5% and 10%.

- Nokia continues to expect Nokia Technologies net sales to grow on a year-on-year basis for the full year 2015, excluding potential amounts related to the expected resolution of our ongoing arbitration with Samsung, which is expected to be concluded during 2015.

- Nokia continues to expect Nokia Technologies non-IFRS operating expenses to increase meaningfully on a year-on-year basis for the full year 2015. More specifically, Nokia expects Nokia Technologies quarterly non-IFRS operating expenses in 2015 to be approximately in-line with the fourth quarter 2014 level. This is related to higher investments in licensing activities, licensable technologies, and business enablers including go-to-market capabilities, which target new and significant long-term growth opportunities.

- Nokia continues to expect Nokia Group capital expenditures to be approximately EUR 200 million in 2015, primarily attributable to capital expenditures by Nokia Networks.

- Nokia continues to expect Nokia Group financial income and expenses, including net interest expenses and the impact from changes in foreign exchange rates on certain balance sheet items, to amount to an expense of approximately EUR 160 million in 2015, subject to changes in foreign exchange rates and the level of interest-bearing liabilities.

- Nokia continues to expect Group Common Functions non-IFRS operating expenses to be approximately EUR 120 million in 2015.

- Nokia continues to target to record tax expenses in Nokia Group s Consolidated Income Statements at a long-term effective tax rate of approximately 25%. However, Nokia targets Nokia Group s cash tax obligations to continue at approximately EUR 250 million annually until Nokia Group s deferred tax assets have been fully utilized. The cash tax amount may vary depending on profit levels in different jurisdictions and the amount of license income potentially subject to withholding tax.

RISKS AND FORWARD-LOOKING STATEMENTS

It should be noted that Nokia and its businesses are exposed to various risks and uncertainties and certain statements herein that are not historical facts are forward-looking statements, including, without limitation, those regarding: A) expectations, plans or benefits related to Nokia s strategies; B) expectations, plans or benefits related to future performance of Nokia s businesses Nokia Networks, HERE and Nokia Technologies; C) expectations, plans or benefits related to changes in our management and other leadership, operational structure and operating model; D) expectations regarding market developments, general economic conditions and structural changes; E) expectations and targets regarding performance, including those related to market share, prices, net sales and margins; F) timing of the deliveries of our products and services; G) expectations and targets regarding our financial performance, operating expenses, taxes, cost savings and competitiveness, as well as results of operations; H) expectations and targets regarding collaboration and partnering arrangements; I) outcome of pending and threatened litigation, arbitration, disputes, regulatory proceedings or investigations by authorities; J) expectations regarding restructurings, investments, uses of proceeds from transactions, acquisitions and divestments and our ability to achieve the financial and operational targets set in connection with any such restructurings, investments, divestments and acquisitions, including any expectations, plans or benefits related to or caused by the transaction where Nokia sold substantially all of its Devices & Services business to Microsoft on April 25, 2014; K) statements preceded by or including believe , expect , anticipate , foresee , sees , target , estimate , designed , aim , plans , intends , focus , continue , expressions. These statements are based on the management s best assumptions and beliefs in light of the information currently available to it. Because they involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors, including risks and uncertainties that could cause such differences include, but are not limited to: 1) our ability to execute our strategies successfully and in a timely manner, and our ability to successfully adjust our operations and operating models; 2) our ability to sustain or improve the operational and financial performance of our businesses and correctly identify business opportunities or successfully pursue new business opportunities; 3) our ability to execute Nokia Networks strategy and effectively, profitably and timely adapt its business and operations to the increasingly diverse needs of its customers and technological developments; 4) our ability within our Nokia Networks business to effectively and profitably invest in and timely introduce new competitive high-quality products, services, upgrades and technologies; 5) our ability to invent new relevant technologies, products and services, to develop and maintain our intellectual property portfolio and to maintain the existing sources of intellectual property related revenue and establish new such sources; 6) our ability to protect numerous patented standardized or proprietary technologies from third-party infringement or actions to invalidate the intellectual property rights (IPR) of these technologies; 7) our ability within our HERE business to maintain current sources of revenue, historically derived mainly from the automotive industry, create new sources of revenue, for instance in the enterprise business, successfully recognize and pursue growth opportunities and extend the reach of our location services; 8) our dependence on the development of the mobile and communications industry in numerous diverse markets, as well as on general economic conditions globally and regionally; 9) Nokia Networks dependence on a limited number of customers and large, multi-year contracts; 10) our ability to retain, motivate, develop and recruit appropriately skilled employees; 11) the potential complex tax issues and obligations we may face, including the obligation to pay additional taxes in various jurisdictions and our actual or anticipated performance, among other factors, which could result in allowances related to deferred tax assets; 12) our ability to manage our manufacturing, service creation and delivery, and logistics efficiently and without interruption, especially if the limited number of suppliers we depend on fail to deliver sufficient quantities of fully functional products and components or deliver timely services; 13) any inefficiency, malfunction or disruption of a system or network that our operations rely on or any impact of a possible cybersecurity breach; 14) our ability to reach targeted results or improvements by managing and improving our financial performance, cost savings and competitiveness; 15) management of Nokia Networks customer financing exposure; 16) the performance of the parties we partner and collaborate with, as well as financial counterparties, and our ability to achieve successful collaboration or partnering arrangements; 17) our ability to protect the technologies, which we develop, license, use or intend to use, from claims that we have infringed third parties IPR, as well as impact of possible licensing costs, restriction on our usage of certain technologies, and litigation related to IPR; 18) the impact of regulatory, political or other developments, including those caused by the impact of trade sanctions, natural disasters or disease outbreaks on our operations and sales in those various countries or regions where we conduct business; 19) 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; 20) effects of impairments or charges to carrying values of assets, including goodwill, or liabilities; 21) our ability to successfully implement planned transactions, such as acquisitions, divestments, mergers or joint ventures, manage unexpected liabilities related thereto and achieve the targeted benefits; 22) the impact of unfavorable outcome of litigation, arbitration, contract related disputes or allegations of health hazards associated with our business; 23) potential exposure to contingent liabilities due to the sale of substantially all of our Devices & Services business to Microsoft and the possibility that the agreements we have entered into with Microsoft may have terms that prove to be unfavorable for us, as well as the risk factors specified on pages 12-35 of Nokia s annual report on Form 20-F for the year ended December 31, 2013 under Item 3D. Risk Factors. Other unknown or unpredictable factors or underlying assumptions subsequently proven to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Nokia does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Nokia Management, Espoo January 28, 2015

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- Nokia plans to publish its Nokia in 2014 annual report, which includes the review by the Board of Directors and the audited annual accounts, in week 13 of 2015. The annual report will be available at company.nokia.com/financials.

- Nokia plans to publish its first quarter 2015 results on April 30, 2015.

- Nokia s Annual General Meeting 2015 is scheduled to be held on May 5, 2015.

Nokia Corporation
RESULTS REPORT
January 29, 2015 at 08:00 (CET +1)

Nokia Corporation Report for Q4 2014 and Full Year 2014

FINANCIAL AND OPERATING HIGHLIGHTS

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Full year 2014 highlights:

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Overall, while we must remain focused on our execution, I believe that Nokia is well positioned to meet its goals for the year.

SUMMARY FINANCIAL INFORMATION

	Reported and non-IFRS fourth quarter 2014 results(1)-(3)					Reported and non-IFRS full year 2014 results(1)-(3)		
EUR million	**Q4/14**	**Q4/13**	**YoY Change**	**Q3/14**	**QoQ Change**	**2014**	**2013**	**YoY Change**
Continuing Operations								
Net sales	3 802	3 476	9%	3 324	14%	12 732	12 708	0%
Gross margin % (non-IFRS)	43.5%	42.5%		44.5%		44.3%	42.1%	
Operating expenses (non-IFRS)	-1 129	-1 018	11%	-1 006	12%	-3 997	-3 994	0%
Operating profit (non-IFRS)	524	409	28%	457	15%	1 632	1 437	14%
Non-IFRS exclusions from operating profit(2)	70	134		1 267		1 461	919	
Operating profit	454	274	66%	-810		170	518	-67%
Profit (non-IFRS)	356	317	12%	353	1%	1 095	879	25%
Non-IFRS exclusions from profit(2)	29	133		-407		-76	838	
Profit	327	183	79%	760	-57%	1 171	41	2 756%
EPS, EUR diluted (non-IFRS)	0.09	0.08	13%	0.09	0%	0.28	0.20	40%
EPS, EUR diluted (reported)	0.08	0.05	60%	0.19	-58%	0.30	0.05	500%
Net cash from operating activities(4)	270			406	-33%	2 330	1 134	105%
Net cash and other liquid assets(5)	5 023	2 309	118%	5 025	0%	5 023	2 309	118%
Nokia Networks								
Net sales	3 365	3 105	8%	2 940	14%	11 198	11 282	-1%
Mobile Broadband net sales	1 760	1 562	13%	1 672	5%	6 039	5 347	13%
Global Services net sales	1 579	1 540	3%	1 268	25%	5 105	5 753	-11%
Gross margin % (non-IFRS)	38.2%	37.6%		39.1%		38.7%	36.6%	
Operating profit (non-IFRS)	470	349	35%	397	18%	1 364	1 089	25%
Operating margin % (non-IFRS)	14.0%	11.2%		13.5%		12.2%	9.7%	
HERE								
Net sales	292	255	15%	236	24%	969	914	6%
Gross margin % (non-IFRS)	76.0%	75.7%		75.1%		75.9%	77.3%	
Operating profit (non-IFRS)	20	25	-20%	0		31	48	-35%
Operating margin % (non-IFRS)	6.8%	9.8%		0.0%		3.2%	5.2%	
Nokia Technologies								
Net sales	149	121	23%	152	-2%	578	529	9%
Gross margin % (non-IFRS)	98.7%	98.3%		98.7%		98.8%	97.4%	
Operating profit (non-IFRS)	77	81	-5%	98	-21%	357	329	9%
Operating margin % (non-IFRS)	51.7%	66.9%		64.5%		61.8%	62.2%	

Note 1 relating to results information and non-IFRS (also referred to as underlying) results: *The results information in this report is unaudited. Percentages and figures presented herein may include rounding differences and therefore may not add up precisely to the totals presented and may vary from previously published financial information. In addition to information on our reported IFRS results, we provide* *certain information on a non-IFRS, or underlying business performance, basis. Non-IFRS results exclude all material special items for all periods. In addition, non-IFRS results exclude intangible asset amortization and other purchase price accounting related items arising from business acquisitions. We believe that our non-IFRS results provide meaningful supplemental information to both management and investors regarding Nokia s underlying business performance by excluding the above-described items that may not be indicative of Nokia s business operating results. These non-IFRS financial measures should not be viewed in isolation or as substitutes to the equivalent IFRS measure(s), but should be used in conjunction with the most directly comparable IFRS measure(s) in the reported results. See note 2 below for information about the exclusions from our non-IFRS results. More information, including a reconciliation of our Q4 2014 and Q4 2013 non-IFRS results to our reported results, can be found in Tables 14-18. A reconciliation of our Q3 2014 non-IFRS results to our reported results can be found in our complete Q3 2014 interim report with tables on pages 22-27 published on October 23, 2014.*

<u>Note 2 relating to non-IFRS exclusions:</u>

Q4 2014 EUR 70 million (net) adjustments to operating profit consisting of:

- *EUR 30 million of charges related to the cost reduction program in HERE*
- *EUR 9 million of transaction and other related costs in Nokia Technologies related to the sale of substantially all of Nokia s Devices & Services business to Microsoft*
- *EUR 6 million of restructuring and associated charges in Nokia Networks*
- *EUR 2 million of transaction and other related costs in HERE resulting from the sale of substantially all of Nokia s Devices & Services business to Microsoft*
- *EUR 16 million of intangible asset amortization and other purchase price accounting related items arising from the acquisition of Motorola Solutions networks and SAC Wireless assets in Nokia Networks*
- *EUR 5 million transaction and other related costs in Group Common Functions resulting from the sale of substantially all of Nokia s Devices & Services business to Microsoft*
- *EUR 2 million of intangible asset amortization and other purchase price accounting related items arising from the acquisition of Medio assets in HERE*

Q4 2014 taxes net benefit of EUR 41 million consisting of EUR 19 million income statement impact of the special items identified above and EUR 22 million tax special item

Q3 2014 EUR 1 267 million (net) adjustments to operating profit consisting of:

- *EUR 1 209 million goodwill impairment charge in HERE*
- *EUR 31 million charge in Nokia Networks for anticipated contractual remediation costs related to a technical issue with a third party component which was included in certain products sold several years ago*
- *EUR 2 million restructuring and associated charges in Nokia Networks*
- *EUR 2 million restructuring charge in HERE*
- *EUR 3 million of transaction and other related costs in HERE resulting from the sale of substantially all of Nokia s Devices & Services business to Microsoft*

- *EUR 2 million of transaction and other related costs in Nokia Technologies resulting from the sale of substantially all of Nokia s Devices & Services business to Microsoft*
- *EUR 4 million of transaction and other related costs in Group Common Functions resulting from the sale of substantially all of Nokia s Devices & Services business to Microsoft*
- *EUR 3 million gain on sale of fixed assets in Group Common Functions*
- *EUR 15 million of intangible asset and other purchase price accounting related items arising from the acquisition of Motorola Solutions networks and SAC Wireless assets in Nokia Networks*
- *EUR 2 million of intangible asset and other purchase price accounting related items arising from the acquisition of Medio assets in HERE*

Q3 2014 taxes net benefit of EUR 1 674 million consisting of a EUR 1 999 million reversal of valuation allowances on deferred tax assets, partially offset by an allowance of net EUR 325 million on deferred tax assets in HERE

Q4 2013 EUR 134 million (net) consisting of:

- *EUR 95 million restructuring charge and other associated items in Nokia Networks*
- *EUR 4 million restructuring charge in HERE*
- *EUR 17 million of transaction and other related costs in Nokia Technologies resulting from the sale of substantially all of Nokia s Devices & Services business to Microsoft*
- *EUR 5 million of transaction and other related costs in Group Common Functions resulting from the sale of substantially all of Nokia s Devices & Services business to Microsoft*
- *EUR 11 million of intangible asset amortization and other purchase price accounting related items in Nokia Networks arising from the acquisition of Motorola Solutions networks assets*
- *EUR 3 million of intangible asset amortization and other purchase price accounting related items in HERE arising from the acquisition of NAVTEQ*

Note 3 relating to operational and reporting structure: *We have three businesses: Nokia Networks, HERE, and Nokia Technologies, and four operating and reportable segments for financial reporting purposes: Mobile Broadband and Global Services within Nokia Networks, HERE, and Nokia Technologies. We also present certain segment data for discontinued operations. Below is a description of our four reportable segments. Mobile Broadband provides mobile operators with radio and core network software together with the hardware needed to deliver mobile voice and data services. Global Services provides mobile operators with a broad range of services, including network implementation, care, managed services, network planning and optimization as well as systems integration. HERE focuses on the development of location intelligence, location-based services and local commerce. Nokia Technologies is built on Nokia s intellectual property rights (IPR) and brand and related licensing. Nokia Networks also contains Nokia Networks Other, which includes net sales and related cost of sales and operating expenses of non-core businesses, IPR net sales and related costs, as well as Nokia Networks Optical business until May 6, 2013, when its divestment was completed. It also includes restructuring and associated charges for Nokia Networks business. Additionally, as a result of the transaction announced on September 3, 2013 where Nokia sold substantially all of Nokia s Devices & Services business to Microsoft on April 25, 2014 (Sale of the D&S Business), we report certain separate information for discontinued operations. As the Sale of the D&S Business closed on April 25, 2014, i.e. shortly after the end of the first quarter 2014, the financial results of the discontinued operations after the* *transaction are not comparable to the financial results of the discontinued operations in previous periods. On August 7, 2013 Nokia completed the acquisition of Siemens stake in Nokia Siemens Networks, which was a joint venture between Nokia and Siemens and renamed the company Nokia Solutions and Networks, also referred to as NSN. NSN was consolidated by Nokia prior to this transaction. After the closing of the Sale of the D&S Business, NSN was renamed Nokia Networks. Beginning in the third quarter 2013, Nokia has reported financial information for the two operating and reportable segments within Nokia Networks; Mobile Broadband and Global Services. Beginning in the fourth quarter of 2013, the Devices & Services business has been reported as discontinued operations. To reflect these changes, historical results information for past periods has been regrouped for historical comparative purposes. As is customary, certain judgments have been made when regrouping historical results information and allocating items in the regrouped results. When presenting financial information and comparative information for previous periods, we generally refer to the names of the businesses and reportable segments as they are named currently.*

Note 4 relating to net cash from operating activities*: No comparative data available for quarterly information in 2013.*

<u>Note 5 relating to Nokia net cash and other liquid assets</u>: *Calculated as total cash and other liquid assets less interest-bearing liabilities. For selected information on Nokia Group interest-bearing liabilities, please see the table 27.*

NOKIA S OUTLOOK

- Nokia continues to expect Nokia Networks net sales to grow on a year-on-year basis for the full year 2015.

- Nokia continues to expect Nokia Networks non-IFRS operating margin for the full year 2015 to be in-line with Nokia Networks long-term non-IFRS operating margin range of 8% to 11%.

- Nokia s outlook for Nokia Networks net sales and non-IFRS operating margin is based on expectations regarding a number of factors, including:

- competitive industry dynamics;

- product and regional mix;

- the timing of major network deployments; and

- expected continued operational improvement.

- Nokia expects Nokia Networks net sales and non-IFRS operating margin in the first quarter 2015 to decline seasonally compared to the fourth quarter 2014. Note that Nokia Networks non-IFRS operating margin benefited from a relatively high proportion of software sales in the first quarter 2014.

- Nokia continues to expect HERE s net sales to grow on a year-on-year basis for the full year 2015.

- Nokia now expects HERE s non-IFRS operating margin for the full year 2015 to be between 7% and 12%, based on HERE s leading market position, positive industry trends and improved focus on cost efficiency. This compares to Nokia s previous outlook for HERE s non-IFRS operating margin for the full year 2015 to be between 5% and 10%.

- Nokia continues to expect Nokia Technologies net sales to grow on a year-on-year basis for the full year 2015, excluding potential amounts related to the expected resolution of our ongoing arbitration with Samsung, which is expected to be concluded during 2015.

- Nokia continues to expect Nokia Technologies non-IFRS operating expenses to increase meaningfully on a year-on-year basis for the full year 2015. More specifically, Nokia expects Nokia Technologies quarterly non-IFRS operating expenses in 2015 to be approximately in-line with the fourth quarter 2014 level. This is related to higher investments in licensing activities, licensable technologies, and business enablers including go-to-market capabilities, which target new and significant long-term growth opportunities.

- Nokia continues to expect Nokia Group capital expenditures to be approximately EUR 200 million in 2015, primarily attributable to capital expenditures by Nokia Networks.

- Nokia continues to expect Nokia Group financial income and expenses, including net interest expenses and the impact from changes in foreign exchange rates on certain balance sheet items, to amount to an expense of approximately EUR 160 million in 2015, subject to changes in foreign exchange rates and the level of interest-bearing liabilities.

- Nokia continues to expect Group Common Functions non-IFRS operating expenses to be approximately EUR 120 million in 2015.

- Nokia continues to target to record tax expenses in Nokia Group s Consolidated Income Statements at a long-term effective tax rate of approximately 25%. However, Nokia targets Nokia Group s cash tax obligations to continue at approximately EUR 250 million annually until Nokia Group s deferred tax assets have been fully utilized. The cash tax amount may vary depending on profit levels in different jurisdictions and the amount of license income potentially subject to withholding tax.

FOURTH QUARTER 2014 FINANCIAL AND OPERATING DISCUSSION

NOKIA S CONTINUING OPERATIONS

See note 3 to our Summary Financial Information table above concerning our current operational and reporting structure. The following discussion includes information on a non-IFRS, or underlying business performance, basis. See notes 1, 2 and 3 to our Summary Financial Information table above for information about our underlying non-IFRS results and the non-IFRS exclusions for the periods discussed below.

Net sales

The following table sets forth the year-on-year and sequential growth rates in our net sales on a reported basis and at constant currency for the periods indicated.

FOURTH QUARTER 2014 NET SALES, REPORTED & CONSTANT CURRENCY(1)

	YoY Change	QoQ Change
Continuing operations net sales reported	9%	14%
Continuing operations net sales constant currency (1)	9%	11%
Nokia Networks net sales reported	8%	14%
Nokia Networks net sales constant currency(1)	8%	11%
HERE net sales reported	15%	24%
HERE net sales constant currency(1)	12%	21%

Note 1: *Change in net sales at constant currency excludes the impact of changes in exchange rates in comparison to the Euro, our reporting currency.*

Nokia s continuing operations net sales increased 9% year-on-year and 14% sequentially. At constant currency, Nokia s continuing operations net sales would have increased 9% year-on-year and 11% sequentially.

The year-on-year increase in Nokia s continuing operations net sales in the fourth quarter 2014 was primarily due to higher net sales in Nokia Networks and, to a lesser extent, higher net sales in HERE and Nokia Technologies. The year-on-year increase in Nokia Networks net sales in the fourth quarter 2014 was primarily due to an increase in net sales in Mobile Broadband and to a lesser extent in Global Services and non-recurring intellectual property rights (IPR) income. The year-on-year increase in HERE net sales was primarily due to higher sales to vehicle customers, as well as Microsoft becoming a more significant licensee of HERE s services. The year-on-year increase in Nokia Technologies net sales in the fourth quarter 2014 was primarily due to Microsoft becoming a more significant intellectual property licensee in conjunction with the sale of substantially all of Nokia s Devices & Services business to Microsoft, as well as higher intellectual property licensing income from certain licensees. These increases were partially offset by declines in licensing income from certain other licensees that experienced lower levels of business activity.

The sequential increase in Nokia s continuing operations net sales in the fourth quarter 2014 was primarily due to higher net sales in Nokia Networks and, to a lesser extent, in HERE. The sequential increase in net sales for Nokia Networks in the fourth quarter 2014 was primarily due to an increase in net sales in Global Services and to a lesser extent in Mobile Broadband and non-recurring IPR income. The sequential increase in net sales for HERE was primarily due to higher sales to vehicle customers and, to a lesser extent, higher seasonal sales to personal navigation device (PND) and enterprise customers, partially offset by lower recognition of revenue related to smartphone sales by our former Devices & Services business.

Non-IFRS Gross margin

Nokia s continuing operations non-IFRS gross margin in the fourth quarter 2014 increased from 42.5% to 43.5% on a year-on-year basis, primarily driven by the increase in non-IFRS gross margin in Nokia Networks and, to a lesser extent, an increase in non-IFRS gross margin in HERE and Nokia Technologies.

The year-on-year increase in Nokia Networks non-IFRS gross margin in the fourth quarter 2014 was primarily due to an increase in non-IFRS gross margin for Mobile Broadband, as well as a higher proportion of Mobile Broadband in the overall sales mix, partially offset by a decline in the non-IFRS gross margin of Global Services. In addition, Nokia Networks non-IFRS gross margin benefitted from approximately EUR 25 million of non-recurring IPR income.

Nokia s continuing operations non-IFRS gross margin in the fourth quarter 2014 decreased sequentially to 43.5%, compared to 44.5% in the third quarter 2014. The sequential decrease in Nokia s continuing operations non-IFRS gross margin in the fourth quarter 2014 was primarily due to a lower non-IFRS gross margin in Nokia Networks. The sequential decrease in Nokia Networks non-IFRS gross margin in the fourth quarter 2014 was primarily due to a higher proportion of Global Services in the overall sales mix, as well as a decrease in non-IFRS gross margin in Mobile Broadband, partially offset by non-recurring IPR income, as well as a higher non-IFRS gross margin in Global Services.

Non-IFRS Operating expenses

Nokia s continuing operations non-IFRS research and development expenses increased both year-on-year and sequentially in the fourth quarter 2014 due to increases in non-IFRS research and development expenses in Nokia Networks, HERE and Nokia Technologies.

Nokia s continuing operations non-IFRS selling, general and administrative expenses increased year-on-year in the fourth quarter 2014, primarily due to increases in Nokia Networks and Nokia Technologies.

In the fourth quarter 2014, Nokia s continuing operations non-IFRS selling, general and administrative expenses increased sequentially, primarily due to increases in Nokia Networks and HERE.

Non-IFRS Operating profit

Nokia s continuing operations non-IFRS operating profit increased year-on-year in the fourth quarter 2014 primarily due to an increase in non-IFRS operating profit for Nokia Networks, partially offset by a decreases in HERE and Nokia Technologies non-IFRS operating profit.

Nokia s continuing operations non-IFRS operating profit increased sequentially in the fourth quarter 2014 primarily due to an increase in non-IFRS operating profit for Nokia Networks and, to a lesser extent, an increase in HERE non-IFRS operating profit, partially offset by a decrease in Nokia Technologies.

Nokia s non-IFRS other income and expenses was an expense of EUR 2 million in the fourth quarter 2014, compared to an expense of EUR 52 million in the fourth quarter 2013 and an expense of EUR 16 million in the third quarter 2014. On a year-on-year and sequential basis, Nokia s continuing operations non-IFRS other expenses decreased primarily due to lower other expenses in Nokia Networks.

Operating profit

Nokia s continuing operations operating profit increased on a year-on-year basis primarily due to an increase in operating profit for Nokia Networks, partially offset by a decrease in HERE operating profit.

Sequentially, Nokia s continuing operations operating profit increased primarily due to the absence of the EUR 1.2 billion goodwill impairment charge related to HERE, which was recorded in the third quarter 2014. Excluding the impairment charge, continuing operations operating profit increased on a sequential basis primarily due to an increase in operating profit for Nokia Networks, partially offset by a decrease in operating profit in Nokia Technologies.

Nokia s continuing operations other income and expenses was an expense of EUR 38 million in the fourth quarter 2014, compared to an expense of EUR 154 million in the fourth quarter 2013 and an expense of EUR 48 million in the third quarter 2014. On a year-on-year basis, the decrease in other expenses was primarily due to lower restructuring charges in Nokia Networks, partially offset by higher charges related to the cost reduction program in HERE. On a sequential basis, the decrease in continuing operations other expenses was primarily due to lower other expenses in Nokia Networks, partially offset by higher charges related to the cost reduction program in HERE.

Financial income and expenses

In the fourth quarter 2014, Nokia s continuing operations financial income and expenses was a net expense of EUR 39 million, compared to a net expense of EUR 50 million in the fourth quarter 2013 and a net expense of EUR 22 million in the third quarter 2014. On a year-on-year basis, the decrease in net expense was mainly due to lower interest expenses. On a sequential basis, the increase in net expense was primarily due to foreign exchange-related losses.

Cash and cash flow

The following table sets forth the financial position of Nokia s continuing operations at the end of the periods indicated, as well as the year-on-year and sequential growth rates.

NOKIA S CONTINUING OPERATIONS FINANCIAL POSITION

EUR million	Q4/2014	Q4/2013	YoY Change	Q3/2014	QoQ Change
Total cash and other liquid assets	7 715	8 971	-14%	7 639	1%
Net cash and other liquid assets(1)	5 023	2 309	118%	5 025	0%

Note 1: *Total cash and other liquid assets minus interest-bearing liabilities.*

In the fourth quarter 2014, Nokia s total cash and other liquid assets increased by EUR 76 million and Nokia s net cash and other liquid assets decreased by EUR 2 million, compared to the third quarter 2014. On a sequential basis cash inflows from operating activities were offset by cash outflows from financing activities.

In the fourth quarter 2014, Nokia s net cash from operations was EUR 224 million. Nokia s adjusted net profit before changes in net working capital was EUR 609 million in the fourth quarter 2014, primarily driven by the strong performance at Nokia Networks.

Nokia s continuing operations had approximately EUR 60 million of restructuring-related cash outflows in the fourth quarter 2014. Excluding this, Nokia s continuing operations net working capital was relatively stable as the negative cash impact from increases in receivables was offset by the positive impacts from increases in payables and decreases in inventories. In addition, Nokia s continuing operations had cash outflows of approximately EUR 40 million related to net financial income and expenses, approximately EUR 100 million primarily related to foreign exchange hedging outflows and approximately EUR 100 million related to taxes.

Additionally, Nokia had cash outflows related to net working capital and taxes from discontinuing operations totaling approximately EUR 80 million in the fourth quarter 2014.

In the fourth quarter 2014, cash outflows from investing activities impacted net cash and other liquid assets primarily related to approximately EUR 90 million of capital expenditures. Additionally, Nokia s discontinued operations had net cash inflows of approximately EUR 140 million related to the proceeds from the sale of substantially all of Nokia s Devices & Services business to Microsoft.

In the fourth quarter 2014, cash outflows from financing activities primarily related to the share repurchases, which totaled approximately EUR 210 million during the quarter. Nokia also acquired subsidiary shares from a non-controlling interest holder and paid dividends to non-controlling interest holders during the fourth quarter totaling approximately EUR 50 million.

Foreign exchange rates had an approximately EUR 20 million negative impact on the translation of gross cash and approximately EUR 50 million negative impact on net cash.

NOKIA NETWORKS

The following table sets forth a summary of the results for Nokia Networks and its reportable segments, Mobile Broadband and Global Services, for the periods indicated, as well as the year-on-year and sequential growth rates.

NOKIA NETWORKS RESULTS SUMMARY

EUR million	Q4/2014	Q4/2013	YoY Change	Q3/2014	QoQ Change
Net sales	3 365	3 105	8%	2 940	14%
Mobile Broadband net sales	1 760	1 562	13%	1 672	5%
Global Services net sales	1 579	1 540	3%	1 268	25%
Non-IFRS gross margin (%)	38.2%	37.6%		39.1%	
Non-IFRS operating expenses	-822	-770	7%	-742	11%
Research and development expenses	-487	-452	8%	-440	11%
Non-IFRS operating profit	470	349	35%	397	18%
Mobile Broadband non-IFRS operating profit	220	119	85%	254	-13%
Global Services non-IFRS operating profit	230	234	-2%	143	61%
Non-IFRS operating margin (%)	14.0%	11.2%		13.5%	
Mobile Broadband non-IFRS operating margin (%)	12.5%	7.6%		15.2%	
Global Services non-IFRS operating margin (%)	14.6%	15.2%		11.3%	