

Innovation and possibilities

NOKIA



Nokia is a global leader in the technologies that connect people and things. Powered by the innovation of Bell Labs and Nokia Technologies, we are at the forefront of creating and licensing the technologies that are increasingly at the heart of our connected lives.

With state-of-the-art software, hardware and services for any type of network, we are uniquely positioned to help communication service providers, governments, and large enterprises deliver on the promise of 5G, the Cloud and the Internet of Things (“IoT”).

The year 2015 marked our anniversary as a 150-year old company, being yet another year of fundamental change as we took a major step forward as the company shaping the revolution in connectivity and digitization in the Programmable World.

Our transformation continued as we announced our acquisition of Alcatel Lucent in a deal that, in early 2016, made us the leading player in multiple technology categories, including 4G (“LTE”), 5G, IP, optical and fixed networks.

We also sold our HERE digital mapping and location services business to a German automotive industry consortium (the “Consortium”), another indication of our plan to focus on seizing major opportunities to positively impact people’s lives each day and improve how we access and tap the power of connectivity.

Our two main businesses in 2015, Nokia Networks, a top provider of mobile connectivity infrastructure and services, and Nokia Technologies, our driver of future innovation and licensing (Nokia Networks and Nokia Technologies, together “Continuing operations”), further demonstrated their leadership in their respective fields with solid financial performances.

The strength of our businesses puts us in good stead as we move forward to make the large and necessary investments to successfully address the surmountable challenges ahead of us—the huge demand on network performance and access and the need to simplify, optimize and automate the complex flow of data across the network.

We closed 2015 in a position of strength, a reflection not only on how we executed on a day-to-day basis but of the values that underpin our actions.

Contents

| | |
|--|------------|
| Overview | 01 |
| Nokia at a glance | 02 |
| Nokia in 2015 – Transformation for the next 150 years | 06 |
| Key data | 08 |
| Business overview | 10 |
| Letter from the President and CEO | 12 |
| Nokia's role in the Programmable World | 14 |
| Our values | 15 |
| Nokia's strategy | 16 |
| Operational governance and leadership | 20 |
| Nokia in 2016 | 24 |
| Networks business in 2016 | 25 |
| Nokia Technologies in 2016 | 35 |
| Discontinued operations | 39 |
| Principal industry trends affecting operations | 40 |
| Board review | 44 |
| Board review | 46 |
| Results of operations | 47 |
| Results of segments | 53 |
| Liquidity and capital resources | 58 |
| Material subsequent events | 61 |
| Sustainability and corporate responsibility at Nokia | 62 |
| Employees | 65 |
| Shares and share capital | 66 |
| Board of Directors and Management | 67 |
| Dividend | 68 |
| Nokia's outlook | 69 |
| Risk factors | 70 |
| Corporate governance | 72 |
| Corporate governance statement | 74 |
| Compensation | 88 |
| General facts on Nokia | 102 |
| History of Nokia | 104 |
| Memorandum and Articles of Association | 106 |
| Selected financial data | 108 |
| Shares and shareholders | 110 |
| Production of infrastructure equipment and products | 117 |
| Key ratios | 118 |
| Financial statements | 119 |
| Consolidated primary statements | 120 |
| Notes to consolidated financial statements | 126 |
| Parent Company primary statements | 186 |
| Notes to Parent Company financial statements | 190 |
| Signing of the Annual Accounts 2015 and proposal by the Board of Directors for distribution of profit | 203 |
| Auditor's Report | 204 |
| Other information | 205 |
| Forward-looking statements | 206 |
| Glossary of terms | 208 |
| Investor information | 211 |
| Contact information | 212 |

Nokia at a glance

2015: A year of transformation

The year 2015 marked our 150th anniversary as a company—an accomplishment that few others can match.

We believe this longevity has been due to a variety of factors, including a capacity for intelligent adaptation, a pedigree for innovation, a focus on the human aspects of technology, and a track record for executing on our strategic goals.

This past year is a prime example of these factors combining to make 2015 another year of transformation.

Acquisition of Alcatel Lucent and divestment of our HERE business

Our acquisition of Alcatel Lucent, announced in April 2015, has produced a new leader in next-generation technologies for the Programmable World. It was made possible due to the hard work and dedication of our employees who ensured that we were able to close the deal in early January, 2016, faster than many thought possible. Our integration planning has been thorough, allowing us to move forward as one company from January 14, 2016.

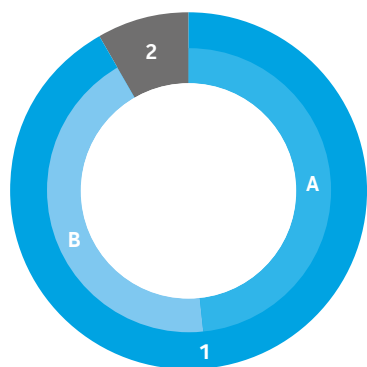
Another critical development in 2015 was the sale of HERE, our digital mapping and location services business, to a German automotive industry consortium, comprising AUDI AG, BMW Group and Daimler AG (the “Sale of the HERE Business”), in a transaction that was believed to be in the best interests of Nokia and its shareholders, its customers as well as the employees of the HERE business. The sale, valued at an enterprise value of EUR 2.8 billion, closed in December 2015.

Our businesses in 2015

In 2015, through our Continuing operations, we had a global presence with operations in Europe, the Middle East & Africa, Greater China, North America, Asia-Pacific and Latin America and research and development ("R&D") facilities in Europe, North America and Asia; and sales in approximately 130 countries. We employed approximately 56 000 people at the end of 2015.

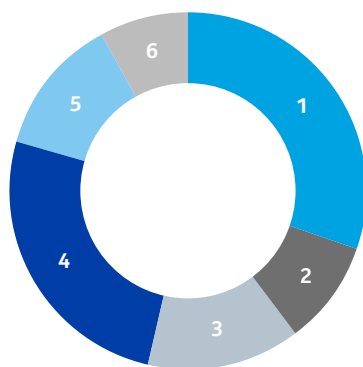
Our Continuing operations delivered net sales in 2015 of EUR 12.5 billion with strong underlying profitability. We once again made significant targeted R&D investments, a bedrock of our success in innovation, with R&D expenditures equaling approximately EUR 2.1 billion in 2015.

Net sales 2015 by business



| | |
|----------------------|----------------|
| 1 Nokia Networks | €11 490m (+3%) |
| A Mobile Broadband | €6 064m (0%) |
| B Global Services | €5 422m (+6%) |
| 2 Nokia Technologies | €1 024m (+77%) |

Net sales 2015 by region



| | |
|-------------------------|----------------|
| 1 Europe ⁽¹⁾ | €3 813m (+9%) |
| 2 Middle East & Africa | €1 177m (+12%) |
| 3 Greater China | €1 712m (+24%) |
| 4 Asia-Pacific | €3 230m (-2%) |
| 5 North America | €1 594m (+4%) |
| 6 Latin America | €973m (-4%) |

(1) All Nokia Technologies net sales are allocated to Finland.
Year-on-year change is in parentheses.

Derived from our financial statements which were prepared in accordance with International Financial Reporting Standards, IFRS.

Our businesses in 2016

The acquisition of Alcatel Lucent closed in early January 2016. After the closing, we have approximately 106 000 employees, and we have organized our networks-oriented businesses into four business groups: Mobile Networks, Fixed Networks, IP/Optical Networks

and Applications & Analytics (together the “Networks business”). The Networks business is also supported by Bell Labs, our research arm and innovation driver. Additionally, we have a fifth business group, Nokia Technologies.

Mobile Networks

Our end-to-end mobile broadband products and services meet customers’ ever-increasing demands for content and connectivity, scale with efficiency, and deliver high-quality, reliable mobile broadband experience.

Fixed Networks

We are the market leader in fixed access technologies, providing fiber and copper ultra-broadband solutions to telecommunication operators, cable operators, municipal governments and enterprises. Our innovations power the largest, fastest and most advanced fixed broadband networks in the world, enabling gigabit speeds over both copper and fiber.

IP/Optical Networks

We help any organization with carrier-grade needs meet the challenges of evolving network infrastructure. The shift to Cloud-based applications and the IoT is putting tremendous pressure on our customers’ business models and networks. We’ve responded with massively scalable systems, software and services to build dynamic, high-performance IP and optical networks that connect everyone and everything to the Cloud.

Applications & Analytics

Our communications software and applications help network operators, enterprises and governments accelerate innovation, gain revenue from services and give their customers a better experience.

Nokia Technologies

Nokia Technologies focuses on advanced technology development and licensing. In addition to licensing patents, we create bold new products such as OZO, the first commercially available professional virtual reality camera. We also explore brand licensing opportunities and, through our technology incubation program, develop new ideas supported by our Labs R&D team.

Nokia in 2015 – Transformation for the next 150 years

January

January 5, 2015

Nokia Networks announced it had completed the business transfer of a part of the wireless network business of Panasonic System Networks Company Limited in Japan, originally announced in July 2014, aiming to enhance its existing mobile broadband capabilities.

February

February 24, 2015

Nokia launched its first zero CO₂ emission base station site product offering that cuts base station site energy consumption and CO₂ emissions by up to 70%.

April

April 15, 2015

Nokia announced its intention to acquire Alcatel Lucent, in an all-share transaction valued at EUR 15.6 billion, to create an innovation leader in next generation technology and services.

April 15, 2015

Nokia announced that it had initiated a review of strategic options for its HERE digital mapping and location services business in light of its intentions to acquire Alcatel Lucent.

May

May 12, 2015

Nokia celebrated its 150th anniversary, marking its start as a wood pulp mill in southwestern Finland in the 19th century, its rise to global prominence in mobility, and its transformation today to expand the human possibilities of the connected world.

May 27, 2015

Nokia Networks announced that it had signed an agreement to acquire Eden Rock Communications LLC, a pioneer in self-organizing networks ("SON") and creator of Eden-NET, an industry leading multivendor centralized SON solution, to enhance its SON portfolio.

June

June 1, 2015

Nokia entered the Cloud infrastructure market with the launch of a 5G-ready Airframe data center product that combines the benefits of Cloud computing technologies with the requirements of the core and radio telecommunications world.

June 16, 2015

Nokia announced that LG Electronics has agreed to take a royalty-bearing smartphone patent license from Nokia Technologies, becoming the latest of more than 60 active licensees for Nokia Technologies 2G, 3G and LTE mobile communication technologies.

July

July 20, 2015

Nokia and Korea Telecom announced a plan to set up the first IoT lab in the Republic of Korea in order to provide IoT-related technical expertise for small and medium-sized companies and to lay a strong foundation for the creation of a technological ecosystem where everyone and everything is connected.

July 29, 2015

Nokia announced the launch of OZO, the first commercially available virtual reality camera designed and built for professional content creators and the first in a planned portfolio of digital media products.

January 4&7, 2016

Nokia announced that it had gained control over Alcatel Lucent and the closing of the transaction following a successful public exchange offer for all outstanding Alcatel Lucent securities.

August

August 3, 2015

Nokia announced the agreement to sell its HERE digital mapping and location services business to a German automotive industry consortium at an enterprise value of EUR 2.8 billion.

August 5, 2015

Nokia announced its new stock symbol trading code, NOKIA, on Nasdaq Helsinki, as part of recognizing Nokia's 150th anniversary.

September

September 10, 2015

Nokia was included in the Dow Jones Sustainability Index as recognition for its economic, environmental and social responsibility initiatives.

October

October 7, 2015

Nokia announced the planned leadership and organizational structure for the combined Nokia and Alcatel Lucent, highlighting the progress of preparing the combined company for unified operations upon closing of the transaction.

October 21, 2015

Nokia announced that all required regulatory approvals were received to allow Nokia to proceed with its acquisition of Alcatel Lucent.

October 29, 2015

Nokia announced a EUR 7 billion capital structure optimization program consisting of approximately EUR 4 billion in shareholder distributions and approximately EUR 3 billion of de-leveraging; and announced that the targeted annual operating cost synergies of EUR 900 million related to the Alcatel Lucent transaction are expected to be achieved in 2018, one year ahead of the originally announced schedule.

November

November 4, 2015

Nokia announced that CDP, a leading global organization working with shareholders and companies to disclose greenhouse gas emissions of major corporations, gave Nokia a perfect score of 100 for its disclosure of climate change data and retained Nokia in the CDP Nordic Climate Disclosure Leadership Index for 2015.

Nokia Networks and China Mobile Research Institute announced a Memorandum of Understanding on their strategic cooperation in the evolution and development of 5G.

December

December 2, 2015

Nokia's shareholders showed their overwhelming support for the acquisition of Alcatel Lucent by an astounding margin of 99.5% at the Extraordinary General Meeting.

December 4, 2015

Nokia announced the closing of the sale of HERE to a German automotive industry consortium.

January 14, 2016

Nokia and Alcatel Lucent celebrated their first day of combined operations, marking the completion of Nokia's latest transformation and the creation of a global leader in technology and services for a connected world.

Key data

Net sales 2015

€12.5bn

Diluted EPS 2015

€0.31

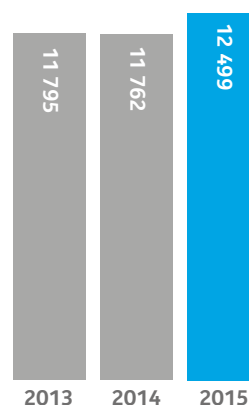
Operating profit 2015

€1.7bn

Net cash at December 31, 2015

€7.8bn

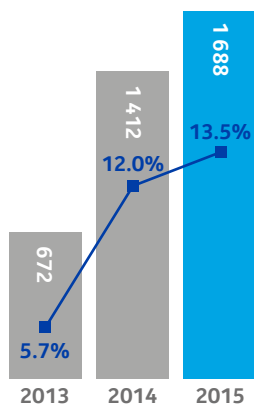
Net sales (€m)



The following table sets forth summary financial and non-financial information for the years ended December 31, 2015 and 2014 for our Continuing operations. This data has been derived from our consolidated financial statements, which are included in this annual report.

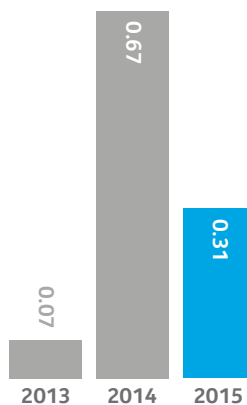
| For the year ended December 31 | 2015 EURm | 2014 EURm | Change |
|---|---------------|--------------|--------|
| Net sales | 12 499 | 11 762 | 6% |
| Nokia Networks | 11 490 | 11 198 | 3% |
| Nokia Technologies | 1 024 | 578 | 77% |
| Gross margin | 43.6% | 41.7% | 190bps |
| Operating profit | 1 688 | 1 412 | 20% |
| Nokia Networks | 1 096 | 1 210 | (9)% |
| Nokia Technologies | 719 | 343 | 110% |
| Group Common Functions | (127) | (142) | (11)% |
| Operating margin | 13.5% | 12.0% | 150bps |
| Financial income and expenses | (177) | (401) | (56)% |
| Income tax (expense)/benefit | (346) | 1 719 | – |
| Profit | 1 194 | 2 718 | (56)% |
| Earnings per share (“EPS”), EUR diluted | 0.31 | 0.67 | (54)% |
| Average number of employees | | | |
| Nokia Networks | 55 509 | 50 557 | 10% |
| Nokia Technologies | 596 | 650 | (8)% |
| Group Common Functions | 585 | 292 | 100% |
| Total | 56 690 | 51 499 | 10% |
| Net sales by region | | | |
| Europe | 3 813 | 3 493 | 9% |
| Middle East & Africa | 1 177 | 1 053 | 12% |
| Greater China | 1 712 | 1 380 | 24% |
| Asia-Pacific | 3 230 | 3 289 | (2)% |
| North America | 1 594 | 1 538 | 4% |
| Latin America | 973 | 1 009 | (4)% |
| Total | 12 499 | 11 762 | 6% |

Operating profit (€m) and operating margin (%)

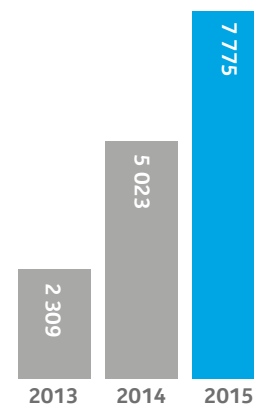


■ Operating profit
■ Operating margin

Diluted EPS (€)



Net cash at December 31 (€m)



Organizational structure and reportable segments in 2015

In 2015, we had two main businesses (Nokia Networks and Nokia Technologies) following the Sale of the HERE Business. For financial reporting purposes we had three operating and reportable segments: Mobile Broadband and Global Services (both within Nokia Networks), and Nokia Technologies.

The HERE business was reported as Discontinued operations from the third quarter of 2015 onwards. Refer to “Business overview—Discontinued operations”.

Organizational structure and reportable segments in 2016

In 2016, we have five business groups: Mobile Networks, Fixed Networks, IP/Optical Networks and Applications & Analytics; as well as Nokia Technologies.

In China, Alcatel Lucent has a joint venture Alcatel Lucent Shanghai Bell (“ASB”). ASB is the first foreign-invested company limited by shares in China, owned by Alcatel Lucent (50% plus one share) and China Huaxin Post & Telecommunication Economy Development Center (“China Huaxin”, 50% minus one share). ASB provides end-to-end telecommunication solutions and services for customers in China and worldwide.

In August 2015, Nokia and China Huaxin signed a memorandum of understanding (“MoU”) confirming their intention to combine Nokia’s telecommunications infrastructure businesses in China (“Nokia China”) and ASB into a new joint venture. As agreed under the MoU, Nokia expects to hold 50% plus one share in the new joint venture, with China Huaxin holding the remaining shares. Fair value compensation would be received for the contribution of relevant assets to the joint venture. The new joint venture is expected to be a strong national asset based in China capable of delivering value for both parties.

Nokia China and ASB are leaders in the Chinese telecommunications infrastructure market and both are long-standing contributors to the development of China and innovation in the country. The new joint venture is planned to operate under the English name of Nokia Shanghai Bell and would be registered in the China (Shanghai) Pilot Free Trade Zone. The new joint venture would have one board of directors, one management team, unified customer and business functions, as well as an integrated product portfolio and R&D platform.

For financial reporting purposes, from the first quarter 2016, we intend to align our financial reporting under three reportable segments: (i) Ultra Broadband Networks comprising Mobile Networks and Fixed Networks, (ii) IP Networks and Applications comprising IP/Optical Networks and Applications & Analytics, all within our Networks business, and (iii) Nokia Technologies.

Additionally, we intend to disclose segment-level data for Group Common and Other, which comprises Group-wide support functions and certain unallocated businesses.

A global leader in technology and services for a connected world

Contents

| | |
|--|----|
| Letter from the President and CEO | 12 |
| Nokia's role in the Programmable World | 14 |
| Our values | 15 |
| Nokia's strategy | 16 |
| Operational governance and leadership | 20 |
| Nokia in 2016 | 24 |
| Networks business in 2016 | 25 |
| Market overview | 25 |
| Business overview and organization | 25 |
| Mobile Networks | 26 |
| Fixed Networks | 27 |
| IP/Optical Networks | 28 |
| Applications & Analytics | 29 |
| Bell Labs | 30 |
| Services | 31 |
| Sales and marketing | 31 |
| Research and development | 33 |
| Patents and licenses | 34 |
| Competition | 34 |
| Nokia Technologies in 2016 | 35 |
| Market overview | 36 |
| Business overview | 36 |
| Strategy | 37 |
| Sales and marketing | 37 |
| Research and development | 38 |
| Patents and licenses | 38 |
| Competition | 38 |
| Discontinued operations | 39 |
| HERE business | 39 |
| Devices & Services business | 39 |
| Principal industry trends affecting operations | 40 |
| Business specific trends | 40 |
| Networks business | 40 |
| Nokia Technologies | 42 |
| Nokia Group | 43 |
| Trends affecting our businesses | 43 |

Letter from the President and CEO



In 2015, we celebrated our 150th anniversary. In a sector full of start-ups and companies that come and go every year, that is a remarkable achievement. And, despite our age, we are certainly showing no signs of slowing down.

Our acquisition of Alcatel Lucent is an industry-changing event and opens exciting new opportunities for us and our customers. The transaction makes financial and strategic sense on every level. It also does something more: it enables us to pursue our vision to expand the human possibilities of the connected world. In this rapidly approaching world, where everyone and everything will be connected, we are positioned both to do well and do good.

The new Nokia comprises five business groups: Mobile Networks, Fixed Networks, IP/Optical Networks, Applications & Analytics and Nokia Technologies. These groups start from a position of strength, including many number one positions in our key market segments. Further, these groups together give us the broad scope necessary to provide our customers with smarter, more efficient and more agile networks.

The acquisition of Alcatel Lucent, culminating in our first day of combined operations as the new Nokia on January 14, 2016, also gives us a stronger position in many regions. In North America we became the market leader; in China we are the largest vendor headquartered outside the country; in Europe, Latin America and Middle East and Africa we have roughly doubled our size.

Profit before tax from Continuing operations in 2015

€1.5bn

Capital structure optimization program

€7bn

Planned shareholder distributions

€4bn

Another critical development in 2015 was the sale of HERE—our digital mapping and location services business—to a German automotive industry consortium in December. HERE is a well-established business that we believe will go on to be very successful.

Our cash-generating strength and commitment to creating shareholder value was reflected in our EUR 7 billion capital structure optimization program, announced in October, comprising EUR 4 billion in shareholder distributions and EUR 3 billion in de-leveraging.

These developments have had a transformational effect on our company, yet I am particularly proud of the focus that our employees demonstrated in 2015. Despite a soft start to the year, and difficult market conditions, our two continuing businesses—Nokia Networks and Nokia Technologies—again demonstrated leadership in their respective fields with solid financial and operational performances.

Business performance

In 2015, profit before tax from Continuing operations increased more than 50% to EUR 1.5 billion versus 2014 on EUR 12.5 billion in net sales, which were 6% above the year-ago period.

“Our acquisition of Alcatel Lucent is an industry-changing event and opens exciting new opportunities for us and our customers. It enables us to pursue our vision to expand the human possibilities of the connected world.”

Nokia Networks recorded a 2015 net sales increase of 3%, and we kept our focus on delivering strong profitability despite market conditions. In that vein, Nokia Networks' gross margin in the final quarter of the year was an excellent 39.6%, our third consecutive quarter above 39%.

Nokia Networks' various highlights of 2015 included our announcement with China Mobile in October for a comprehensive framework agreement, valued at more than USD 1 billion (EUR 930 million) for mobile communications equipment and services.

Nokia Technologies' net sales for the year increased 77% to EUR 1.02 billion as a result of revenue stemming from the positive outcome of a multi-year patent arbitration process with Samsung, with operating profit similarly increasing 110% versus 2014.

The arbitration was focused on a portion of the patent portfolio of Nokia Technologies. There are a number of patents within Nokia Technologies that were not covered and, of course, we have separate patent portfolios outside Nokia Technologies that were excluded as well.

Given this, we expect to have further discussions with Samsung related to those parts of our intellectual property that were not covered by the arbitration. In time, we believe that we will generate additional revenue from Samsung in these areas.

In July, Nokia Technologies launched OZO, the first commercially-available virtual reality camera designed and built for professional content creators, and the first in a planned portfolio of digital media products. We are receiving rave reviews from Hollywood and NASA amongst others, and are excited by OZO's prospects to transform the media landscape.

Sustainability and the year ahead

Finally, I am proud that our solid 2015 results came while achieving our sustainability objectives.

For example, we were more energy efficient in our own operations and, as a result, our greenhouse gas emissions from our offices and factories around the world decreased by 12%, including our green electricity purchases. And we launched our first 'zero CO₂ emission' base station site offering that alone cuts base station site energy consumption and CO₂ emissions by up to 70%, while remaining CO₂ emissions can be reduced to zero by using renewable energy sources.

In September, we were included in the Dow Jones Sustainability Index in recognition of our economic, environmental and social responsibility; and, in November, our commitment to addressing climate change was recognized by the CDP—a leading global organization working with shareholders and companies to disclose greenhouse gas emissions of major corporations—as they included us with a perfect score of 100 in their Climate Change A-list.

These are exciting times for the new Nokia. Despite near-term challenges in our industry, we are well positioned to deliver on the three major opportunities that are ahead of us. Firstly, the convergence between fixed, mobile, and IP and optical networks where we have the talent and expertise to deliver exceptional new products and services to our customers. Secondly, the convergence between the telecommunications world and the IT world, where we are also well placed to deliver game-changing solutions.

Finally, our end-to-end capability and cutting edge research and innovation mean that we are well positioned for the rising tide of IoT products, services and business models. This position will be reinforced as we move toward a more flexible network with 5G. This new connected world will offer great potential for all of us—individuals and businesses alike. By focusing on, and expanding, the human possibilities that this new world will create, we are ideally placed for the future.

Rajeev Suri
President and CEO

Nokia's role in the Programmable World

We are playing a leading role in shaping the new revolution in connectivity and digitization in which everyone, everything, everywhere are connecting.

We call this revolution the Programmable World, one in which there is renewed opportunity to positively impact people's lives and the environment each day and improve how we access and tap the power of connectivity.

At Nokia, we are enabling a new type of network that is versatile, intelligent, and reliable in order to meet the huge demand on network performance and access; to simplify, optimize, and automate the complex flow of data across the network; and to transform the way networks, data, and technology not only connect us, but intelligently work to enrich our lives.

In the Programmable World, where everyone and everything becomes connected through data from billions of sensors everywhere via the internet, there is a fresh opportunity to positively impact the way people live and work each day—to make the world more productive, efficient, safe, healthy, smart, and sustainable.

For example, the opportunity to transform travel by connecting services with passengers and public safety; to use smart metering and intelligent energy applications to conserve resources; and to automate financial and retail services to simplify our lives.

However, we cannot just keep improving today's networks in the same way. We need a new approach in which the network is not the limiting factor, but the enabler and accelerator with seemingly unlimited and ubiquitous bandwidth that allows new services and applications to flow without constraint.

The network needs distributed and interconnected intelligence, with enormous versatility in how its resources are controlled, and the cognitive ability to self-organize and dynamically adapt, in real time, to meet demand.

“We are enabling a new type of network that is versatile, intelligent, and reliable; able to simplify, optimize, and automate the complex flow of data; and to transform the way networks, data, and technology intelligently work to enrich our lives.”



Respect is a key value of Nokia

We work openly and collaboratively, seeking to earn respect from others.

At Nokia, we have always focused on designing technology in the service of people. We are driven by our vision of expanding the human possibilities of technology of the connected world. We are committed to four core strengths that distinguish how we design and deliver technology to help people thrive in the Programmable World:

1. Technology that thinks ahead

We deploy self-managing technology that works invisibly in the background, and adapts to anticipate people's needs. The more pervasive the network becomes, the more discreetly and smartly it needs to work.

2. Making sophisticated technology simple

We select, create, and apply technology thoughtfully so that it is effortless and intuitive to use for all customers and end users, regardless of the power and complexity that lie beneath the technology.

3. Integrity of design and execution

Our technology, networks, and data, are resilient and dependable. Privacy and security are built-in from the start, not as an afterthought. Quality is designed into everything we do, from our systems, processes, and software interfaces, to the service we provide customers. Integrity is critical for creating networks for the Programmable World, and fundamental to who we are, and how we operate.

4. Grounded in real life

We are realistic about how technology works for people in their daily lives. Our innovation is focused on meeting real human needs to positively impact the everyday experience of people.

Our values

We want to be proud of what we achieve—and how we achieve it. We pursue high performance, aligned with our values. We continuously pursue this with the highest integrity, in a human, ethical and sustainable way.

Respect

Acting with uncompromising integrity, we work openly and collaboratively, seeking to earn respect from others.

Challenge

We are never complacent, ask tough questions, and push for higher performance to deliver the right results.

Achievement

We take responsibility, and are accountable for driving quality, setting high standards, and striving for continuous improvement.

Renewal

We constantly refine our skills, learn and embrace new ways of doing things, and adapt to the world around us.

Nokia's strategy

With the acquisition of Alcatel Lucent, we have the innovation capability, the portfolio, and the global scale to lead in shaping and deploying the technologies that are at the heart of an increasingly connected world.

Developing the world's most demanding mobile market

The South Korean market is advanced, and its consumers are demanding. We're working with the leading operators in the country to bring 5G and IoT to this dynamic market. In a joint 5G trial with SK Telecom, we achieved 19.1Gbps transmission speed over the air. We've also set up the country's first IoT lab with Korea Telecom.

“We can leverage the strength of our complete and converged portfolio to help our customers to capitalize on the opportunities from an industry in transition.”

We are well-positioned to lead the change in our industry, which is undergoing rapid technological development and continuous disruption, driven by some key trends:

- Unprecedented increase of data, driven by consumer demand for video, social networking and other Cloud-based services that are increasingly accessed through mobile devices;
- Ongoing digitization of business processes as well as people's lives, generating vast quantities of data that need to be analyzed and managed, as services and entire industries become ever more connected through Cloud-based applications and IoT becomes a reality;
- Demand and stricter guidelines for enhanced network and application security and privacy to protect individuals, businesses, public services and national interests that are all increasingly reliant on connectivity and data;
- The convergence of disparate network technologies—across mobile, fixed, and IP and optical networks—to enhance network performance and profitability and simplify networking services; and
- The convergence of telecommunications and IT domains, as networks become increasingly virtual, managed through software applications and platforms via the Cloud, decoupled from hardware and increasingly connected to open-source ecosystems through application programming interfaces (“APIs”).

As the industry changes, so does the market opportunity. Operators are facing slowing growth of wireless subscribers, declining revenues per user from connectivity services, and ever-increasing demand for data that is driving traffic on their networks. While driving network efficiency is key, scaling the subscriber base and diversifying service provision are also critical.

In parallel, enterprises and webscale players are requiring greater flexibility with network infrastructures to adjust to the convergence of IT and telecommunications technologies, and to take advantage of the scalability and efficiency that Cloud-based software platforms offer.

To address these opportunities, we are focusing our strategy in four areas:

- 1. Leading in network infrastructure, converging mobile, fixed, IP and optical networks, optimized by and for the Cloud**
- 2. Expanding in adjacencies and gaining software leadership for network optimization, service innovation, and customer experience enhancement**
- 3. Diversifying by providing network performance and flexibility for large-scale enterprises**
- 4. Leveraging new business opportunities created through the Internet of Things**

All the use cases outlined below will provide opportunities for new business models for the players in the IoT ecosystem and create new pockets of revenue growth for network vendors such as us. We believe we can leverage the strength of our complete and converged portfolio of network infrastructure, software, services and advanced technologies, to help our customers—telecommunications operators, governments, enterprises and webscale players—to capitalize on the opportunities from an industry in transition.

Nokia's strategy continued

1



Leading in network infrastructure, converging mobile, fixed, IP and optical networks, optimized by and for the Cloud

With a complete portfolio spanning mobile, fixed and IP and optical networks, we are a global market leader in network infrastructure for telecommunications operators. We will continue to drive profitability by extracting cost through our ultra-lean operating model. We will also enhance network efficiency and performance by converging technologies from across our business groups to create one seamless network for all services. By maximizing the synergies across our products and services—e.g., copper, fiber, LTE, and, in the future, 5G—we will give our customers the flexibility to create customized broadband access solutions to the most economical point.

Other areas in which we will leverage our converged portfolio are Software Defined Networks ("SDN"), Cloud transformation, and backhaul solutions. Furthermore, we will enhance our leadership through innovation in next-generation technologies: 5G in mobile networks, TWDM-PON and XG-FAST in fixed networks, and 400G/1TB-transport in optical networks.

2



Expanding in adjacencies and gaining software leadership for network optimization, service innovation, and customer experience enhancement

Our goal is to lead in the network software platforms that will help our customers extract greater value from their network infrastructure. We are building a coherent suite of software and services that bring together Network Function Virtualization ("NFV"), SDN, and advanced applications and analytics, to enable customers to more easily manage, scale, automate, secure, and monetize their networks through intuitive Cloud-based applications.

We have strong products and services in this area including subscriber management, device management, IP Multimedia Subsystems, and Customer Experience Management, which further build our strong operator customer relationships and leverage our infrastructure expertise; and with CloudBand and Nuage Networks products, our software expertise extends into the enterprise market. Furthermore, we are developing transversal platforms for security in IoT for connectivity management and application enablement, as well as for analytics to provide network, customer, and business intelligence.

3



Diversifying by providing network performance and flexibility for large-scale enterprises

The increasing digitization of enterprises offers growth opportunities beyond a core customer base of telecommunications operators. We are focused on serving the needs of webscale players, technology-centric fortune 500 enterprises and public sector bodies that require high performance networks and seek to take advantage of the convergence of telecommunications and IT technologies. More specifically, we are building on the SDN expertise of Nuage Networks to further enter the Enterprise Datacenter business, leveraging our IP and optical assets to increase our presence in key industry verticals, such as utilities and transport.

We are also deploying our expertise in LTE to capture a greater share of mobile networks in the public safety market, and offering our software platforms to enterprise customers.

4



Leveraging new business opportunities created through the Internet of Things

Our strategy is guided by our vision of the Programmable World—a world in which connectivity will greatly expand and link people and billions of physical objects. In this world automated analytics will both improve and simplify people's lives, reduce costs and optimize business operations. For instance, we envision widespread use of autonomous driving cars that offer the promise of reducing road fatalities significantly and optimizing traffic flows; smart monitoring systems for utilities, decreasing the waste of precious resources such as water and energy; smart cities, optimizing traffic flows and energy consumption; digital health applications to offer patients remote monitoring and preventive care benefits; increasing the well-being of humans; traffic management systems for drones to increase public safety and drone reliability; public safety applications for positioning and augmented reality, to improve first responders' work processes and, thus, increase the chances of survival of accident victims and the safety of the first responders; and virtual reality, enabling unprecedented experiences.

The IoT plays a pivotal role in translating our vision into a reality. It creates new opportunity in all customer and technology segments, and we have a two-fold strategy to capitalize on these opportunities. Firstly, we are designing, building, and optimizing network infrastructure to meet the increased and diverse performance requirements that will enable the IoT: scalable, flexible, Cloud-based, efficient, and secure. To meet the requirements of IoT, mass communication and low-latency communication are critical. Hence, we are creating a strong portfolio of IoT connectivity solutions that adapt to specific customer needs, from LTE-based mobile edge computing, to narrowband IoT, LTE-M, and 5G. Moreover, we provide solutions for IoT core, security and platforms, to enable a broad array of uses. Secondly, we are building an ecosystem of products and services that will enable the specific use cases in the areas of connected mobility, public safety, digital health, connected industry, and smart cities.

Operational governance and leadership

We have a strong and experienced leadership team that brings together leaders with many years of experience in telecommunications and technology, finance, sales and operations and various other business disciplines.

The diversity of business backgrounds of the Nokia Group Leadership Team (the “Group Leadership Team”) members has been integral to the transformation of Nokia into an industry and innovation leader in next-generation technology and services in recent years.

The Nokia Group Leadership Team is responsible for all group-level issues, including our strategy and the overall business portfolio.



Rajeev Suri

President and Chief Executive Officer

Samih Elhage

President of Mobile Networks

Federico Guillén

President of Fixed Networks

Basil Alwan

President of IP/Optical Networks

Bhaskar Gorti

President of Applications and Analytics

Timo Ihamuotila

Chief Financial Officer

+ For the full biographies of the Group Leadership Team, see pages 22 to 23 and 83 to 85



**Hans-Jürgen
Bill**
Chief Human
Resources Officer

**Kathrin
Buvac**
Chief Strategy
Officer

**Ashish
Chowdhary**
Chief Customer
Operations
Officer

**Barry
French**
Chief Marketing
Officer

**Marc
Rouanne**
Chief Innovation
and Operating
Officer

**Maria
Varsellona**
Chief Legal
Officer

**Ramzi
Haidamus**
President
of Nokia
Technologies

Operational governance and leadership continued

Members of the Nokia Group Leadership Team

The Group Leadership Team, chaired by Rajeev Suri, comprises the following thirteen (13) members; the President and Chief Executive Officer ("President and CEO"), five (5) business group leaders and seven (7) unit leaders:

Rajeev Suri **b.1967**

President and CEO of Nokia Corporation

With more than 26 years of international experience, Rajeev is a leader with a passion for creating value and delivering technologies that have a positive impact on people's lives. He joined Nokia in 1995 and has held numerous executive roles in the company, including leading the complete turnaround of Nokia Solutions and Networks. As President and CEO of Nokia, he has helped transform Nokia into a global leader in the technologies that connect people and things. Under Rajeev's leadership Nokia has seen significant transformational steps including the acquisition of Alcatel Lucent and an increase in market capitalization. He also serves as a member of UN Broadband Commission for Sustainable Development.

Rajeev holds a Bachelor of Engineering (Electronics and Communications) from Manipal Institute of Technology, India.

Samih Elhage **b.1961**

President of Mobile Networks

Samih has more than two decades of senior experience in the telecommunications industry, with a successful track record of business transformation, establishing operational excellence in diverse global markets and creating and implementing strategies for growth and sustained profitability. He joined Nokia Siemens Networks in 2012 as Chief Operating Officer and added the role of Chief Financial Officer of Nokia Solutions and Networks to his responsibilities in 2013.

Samih holds degrees in Electrical Engineering (telecommunications) and Economics from the University of Ottawa, Canada along with a master's degree in Electrical Engineering (telecommunications) from the École Polytechnique de Montréal, Canada.

Federico Guillén **b.1963**

President of Fixed Networks

Federico has over 25 years of experience in the telecommunications industry, most recently as President of Fixed Networks at Alcatel Lucent. Prior to this role, he was General Manager of Alcatel Lucent Spain and head of the Telefónica Global account team.

Federico holds a Master's Degree in Switching & Communication Architectures from ETSIT at Universidad Politécnica de Madrid, Spain, as well as Masters in International Management from ESC Lyon and Alcatel, France.

Basil Alwan **b.1962**

President of IP/Optical Networks

Basil served previously as Alcatel Lucent's President of IP Routing and Transport, a business that grew over the years into the #2 market position in service provider IP/MPLS routing, with over 400 customers in more than 120 countries. He joined Alcatel Lucent in 2003 following the company's acquisition of privately held TiMetra Networks, a Silicon Valley based start-up focused on routers for IP/MPLS, networks where he was founder and served as President and CEO.

Basil holds a Bachelor's Degree in Computer Engineering from the University of Illinois at Urbana-Champaign, the United States.

Bhaskar Gorti **b.1966**

President of Applications & Analytics

Bhaskar oversaw the development of Alcatel Lucent's business units that developed technologies for Cloud-based networking and virtualization, including NFV. Prior to joining Alcatel Lucent, he served as Senior Vice President and General Manager of Oracle Communications Global Business Unit from 2006 to 2015. He had previously served as Senior Vice President at Portal Software, which was sold to Oracle Corporation in 2006.

Bhaskar holds a Bachelor's in Technology, Electrical Engineering, from National Institute of Technology, Warangal, India and a Master of Science Degree in Electric Engineering from Virginia Tech, the United States.

Ramzi Haidamus**b. 1964**

President of Nokia Technologies

Ramzi is a technology-licensing expert with proven business skills and a strong innovation background. Before joining Nokia, he spent 17 years helping Dolby Laboratories, Inc. grow into a world-class patent licensing organization.

Ramzi holds a BS in electrical engineering and an MS in computer engineering from the University of the Pacific, California, the United States, and has completed advanced coursework at Stanford University, the University of California at Berkeley, Harvard University, and the Center for Creative Leadership in the United States.

Timo Ihmuotila**b. 1966**

Chief Financial Officer

Timo is responsible for financial matters of the Nokia Corporation including external and internal reporting, business performance reviews and capital allocation. He also oversees Investor Relations, M&A, Treasury and Nokia Growth Partners. He has been a member of the Nokia Leadership Team since 2007. Timo joined Nokia in 1993 and his responsibilities at Nokia have ranged from sales to business unit leadership and from risk management to treasury and corporate finance. He is a firm believer in a corporate culture based on strong values and vision.

Hans-Jürgen Bill**b. 1960**

Chief Human Resources Officer

Hans-Jürgen has over 20 years of experience in the telecommunications industry. Prior to Nokia Siemens Networks, he held a range of diverse roles at Siemens, which he joined in 1983. When Nokia Siemens Networks was formed in 2007, Hans-Jürgen became Head of West South Europe region. He assumed the role of Head of Human Resources for Nokia Siemens Networks in 2009 and for Nokia Corporation in 2014.

Kathrin Buvac**b. 1980**

Chief Strategy Officer

With over 15 years of telecommunications experience, Kathrin has helped shape Nokia Networks' vision and strategy over the years, most recently as Vice President of Corporate Strategy. Her responsibilities include market forecasting, portfolio watch, business development and leading the company's overall efforts in the Internet of Things. Before her current role, she served as Chief of staff to the CEO of Nokia Solutions and Networks from 2011-2013.

Kathrin previously worked at Siemens and EADS Aerospace and Defence.

Ashish Chowdhary**b. 1965**

Chief Customer Operations Officer

Ashish holds over 25 years of international experience in the enterprise and telecommunications sectors and has a track record of consistently delivering strong results. He has led various regional and global organizations including Head of Global Services and Head of Customer Operations AMEA (the Asia, Middle East and Africa market) of Nokia Networks. He was also a member of the Nokia Networks leadership team from 2009 until the closing of the acquisition of Alcatel Lucent.

Barry French**b. 1963**

Chief Marketing Officer

Barry joined Nokia in 2006 and was instrumental in the creation and later turnaround of Nokia's Networks business. Previous experience includes leadership positions in technology, restructuring and politics.

Barry holds a Master's Degree in International Affairs from Columbia University's School of International and Public Affairs, New York, the United States.

Marc Rouanne**b. 1963**

Chief Innovation & Operating Officer

Marc has more than 20 years of international management experience in the telecommunications industry, having held positions in research and development, customer operations and product management in the United States, France and Finland. He joined Nokia in 2008 from Alcatel Lucent and before that Alcatel, where he held various senior management positions. Marc has led Nokia's Mobile Broadband Business, successfully shifting the investment focus to new technologies, opened up the company to the open ecosystem accelerating time to market, improved the company's R&D efficiency significantly every year, and implemented a strong quality culture, working towards becoming employer of choice in each R&D site.

Maria Varsellona**b. 1970**

Chief Legal Officer

Maria joined Nokia Siemens Networks in 2013 from Tetra Pak, where she was the Group General Counsel. Previously, Maria held senior legal positions in GE Oil & Gas for many years. As an admitted lawyer in Italy and England, she started her career in private practice, and she also lectured in international contract law at the University of Florence, Italy.

Nokia in 2016



After the closing of the Alcatel Lucent transaction, we have five business groups: Mobile Networks, Fixed Networks, IP/Optical Networks and Applications & Analytics (the Networks business); and Nokia Technologies. This section presents an overview of the Networks business and the Nokia Technologies business group.

Networks business in 2016

Our Networks business is conducted through its four business groups: Mobile Networks, Fixed Networks, IP/Optical Networks and Applications & Analytics.

Market overview

Through our comprehensive, end-to-end portfolio of products and services, we are addressing a market described as “network and IP infrastructure, software, and related services”. This market encompasses mobile network infrastructure, fixed network infrastructure, IP routing and optical networks as well as the software platforms and applications to optimize operations, business, network performance, and customer experience. While the majority of our products and services are targeted at telecommunications operators, an increasing focus is on the public sector and large scale enterprises, including webscale players and industry verticals.

Demand for our portfolio is driven by the increasing global demand for bandwidth and network capacity as people's lives and enterprises become ever more digitized. Data-rich websites, Cloud-based applications and services, and video usage are ever more pervasive, and enterprises are increasingly digitalizing their processes and value chains. Furthermore, we see a convergence of disparate network technologies—across mobile, fixed, and IP and optical—enhancing network performance and profitability, as well as simplifying end-to-end networking services. In a similar manner, telecommunications and IT domains are increasingly converging, as networks become more virtual, managed through software applications and platforms via the Cloud. This includes software decoupled from hardware, open-source ecosystems leveraging APIs, as well as more of the intelligence moving from the core to the edges of the network to increase efficiency and decrease latency. As the only player that offers an integrated end-to-end portfolio on a global scale, we have a strong competitive position to capitalize on these opportunities.

Business overview and organization

Our Networks business is conducted through four business groups: Mobile Networks, Fixed Networks, IP/Optical Networks and Applications & Analytics. These business groups bring together deep expertise and leadership that span the key network technology areas: smart products and innovative services for mobile, fixed and IP networks, and beyond.

Networks business in 2016 continued

Mobile Networks

High-quality, reliable
mobile broadband.

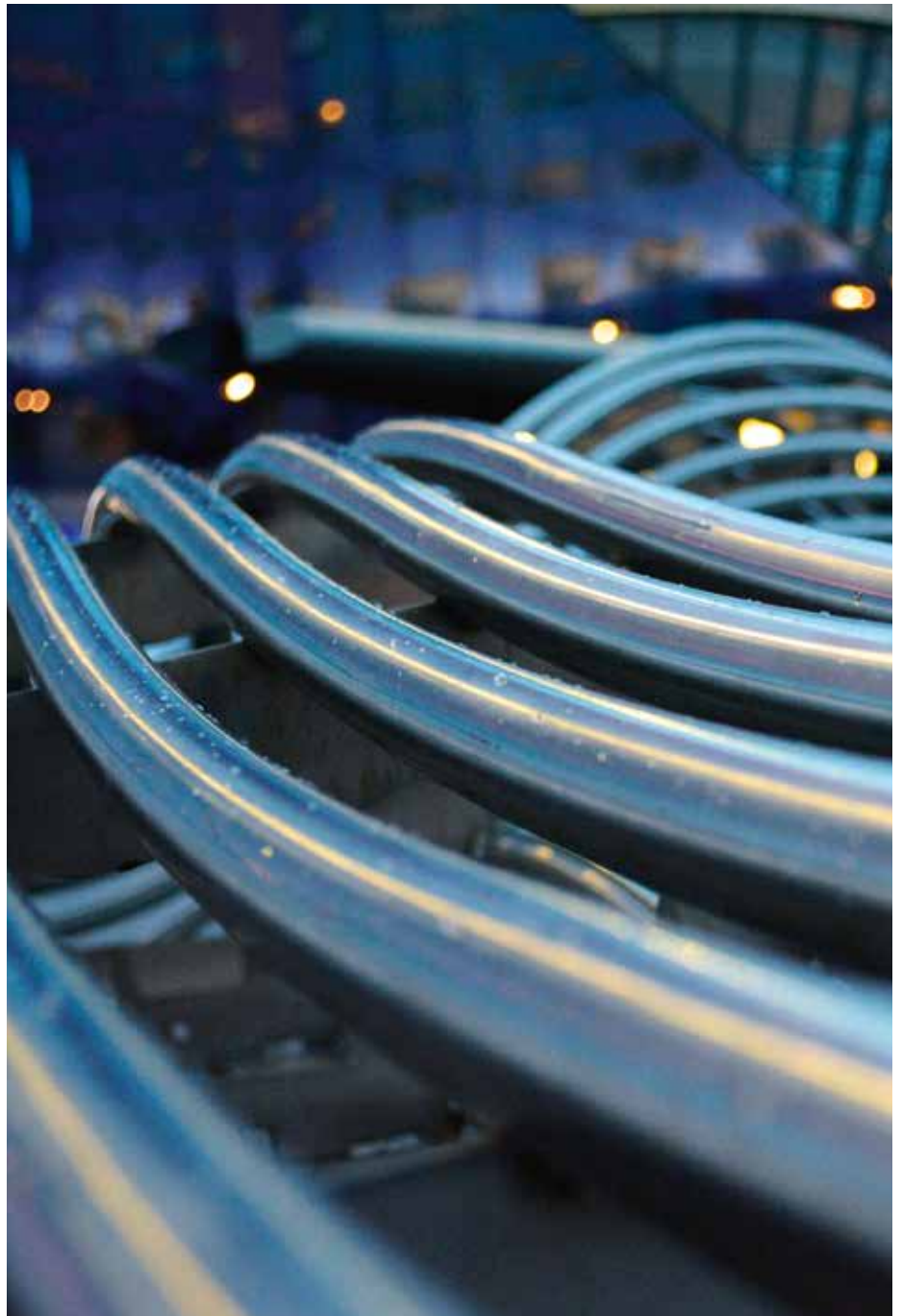
The Mobile Networks business group offers an industry-leading portfolio of end-to-end mobile networking solutions comprising hardware, software, and services for telecommunications operators, enterprises and related markets/verticals such as public safety and IoT. The product portfolio includes macro radio access network ("RAN") offerings for mobile data and voice communication using existing 2G, 3G and LTE technology, as well as evolution to the future 5G standard. Mobile Networks also brings to market a comprehensive Converged Core offering, including market-leading Subscriber Data Management and IP Multimedia Subsystem solutions, enabling all-IP communication, including Voice over LTE ("VoLTE"). The product portfolio includes small cell access as well as back haul and front haul (x-haul) solutions. Additionally, a strong Services organization within Mobile Networks supports customers with the design, deployment, optimization, operation and maintenance of mobile networks, adding value to customers through the breadth, quality, efficiency and innovation of its services across five business areas: Network Planning & Optimization, Network Implementation, Systems Integration, Managed Services and Care.



Fixed Networks

More bandwidth to
more users, sooner.

The Fixed Networks business group provides copper and fiber access products, solutions and services to deliver more bandwidth to more people, faster and in a cost-efficient way. The portfolio allows for a customized combination of technologies that brings fiber to the most economical point for the customer. It consists of advanced copper based solutions such as very high rate digital subscriber line ("VDSL2"), and innovative vectoring technology to reduce cross-talk interference and improve performance. The Fixed Networks business group is leading in the development of next-generation copper technologies, such as Vplus and G.fast, allowing for even greater bandwidth to the home. The Fixed Networks business group is also developing fiber to the home solutions, such as Gigabit Passive Optical Networks ("GPON") and leading in next-generation fiber access technologies like TWDM-PON. Additionally, digital home devices enable an enriched customer experience and smart homes. The service portfolio is comprised of deployment, maintenance and professional services such as copper and fiber broadband evolution, public switched telephone network transformation, site implementation and outside plant, as well as multi-vendor maintenance.



IP/Optical Networks

Optimizing IP and optical networks for the Cloud.

The IP/Optical Networks business group provides the key IP routing and optical transport systems, software and services to build high capacity network infrastructure for the internet and global connectivity. IP routers understand the global patterns of both the internet, private IP and Multiprotocol Label Switching ("MPLS") services and intelligently route packets to the right locations. The transformation to all-IP architectures is driving demand for increasingly high capacity switching and routing. The IP/Optical Networks business group provides IP networking solutions for advanced residential, business and mobile services spanning the IP core, IP edge, mobile packet core, wireless backhaul and IP/Ethernet metro and aggregation. Furthermore, the IP/Optical Networks business group provides scalable, versatile and dynamic packet-optimized and optical transport solutions to maximize bandwidth, distance and resilience over long-haul, regional and metropolitan fiber infrastructure. Wavelength Division Multiplexing and wavelength routing are the predominant optical technologies, allowing for high data capacity by multiplexing many wavelengths over each fiber and programmability by dynamically routing wavelengths across the network. The IP and optical solutions are controlled and managed by carrier SDN and Network Management Systems that enable dynamic networking services and resource optimization over the programmable IP and optical fabric. To make the network as readily consumable and efficient as Cloud computing and storage is to IT applications, Nuage Networks offers automation and policy-based control of datacenter and branch network resources. Across all these offerings, a comprehensive service portfolio supports customers to deploy, maintain and optimize network design to accelerate the benefits of SDN, NFV, and programmable all-IP networks.

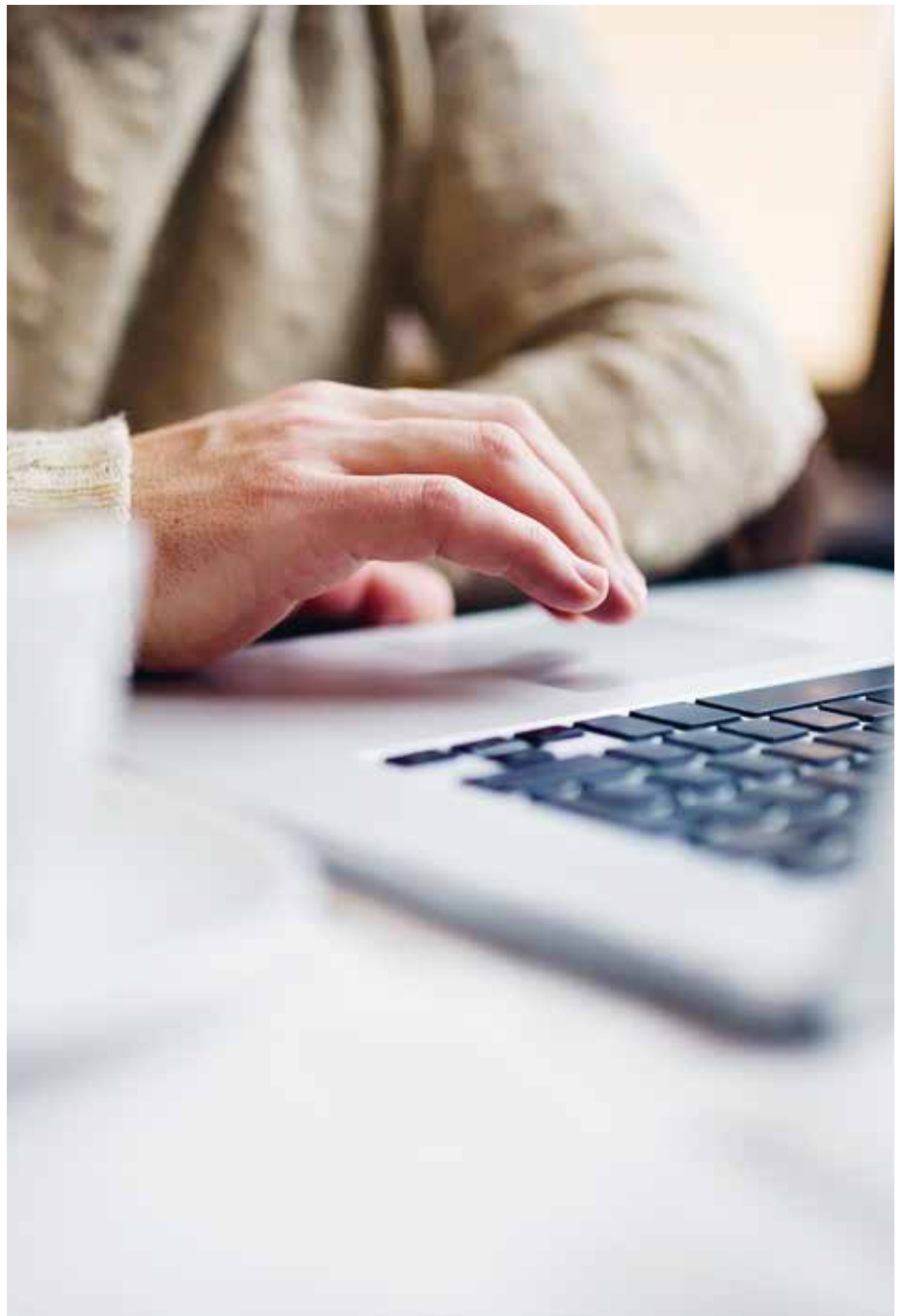


Applications & Analytics

Intelligent platforms that optimize and automate network performance.

The Applications & Analytics business group offers carrier-grade software applications and platforms to provide operations and business support systems, build, deliver, and optimize services, enable their monetization, and to improve customer experience. These include: customer and network operations software, such as device management and multi-channel customer care with orchestration workflows and service assurance; network management and self-organizing networks solutions for multi-vendor network management, and automation to optimize network performance; communication and collaboration solutions, including Cloud-based platforms, for integrated contextual communications services targeted at operator and enterprise customers; policy and charging solutions for implementing payment plans and policies; analytics solutions and algorithms to improve business performance by maximizing the value of subscriber and network data; comprehensive, automated, and predictive security solutions to defend networks, services, end-users and IoT devices against malicious attacks; IoT platforms to develop, deliver, manage and monetize services and ecosystems; and CloudBand Cloud management and orchestration solutions enabling a unified Cloud engine and platform for NFV.

Additionally, the Networks business is supported by Bell Labs and Services.



Networks business in 2016 continued

Bell Labs

Creating the technologies
shaping the future of
connectivity.

Bell Labs, our research arm, produces disruptive innovations for the next phase of human existence. This human challenge has been the charter for Bell Labs for 90 years and led to a wealth of industry redefining innovations, eight Nobel Prizes and countless other honors.





XG-FAST for multi-gigabit speeds over existing phone lines

We recently worked with Deutsche Telekom to test XG-FAST, an extension of our commercially available G.fast technology developed by Bell Labs. The lab trial showed speeds of over 10Gbps, around 200 times faster than today's average residential broadband connections. With these fiber-like speeds, the technology can download a two-hour HD movie in less than ten seconds.

Services

Our Services are focused on developing innovative services, solutions and multi-vendor capabilities around the mobile, fixed and IP networks and beyond. With our full service portfolio, we address the current and future needs of our customers, including mobile network operators, enterprises, governments, transportation industries and verticals. Customer satisfaction, quality and efficiency are key in service delivery. To achieve that, we leverage a combination of local engagement with the customers, the network of two Global Delivery Centers and eight Service Delivery Hubs as well as the next-generation delivery platforms. Altogether, our service portfolio and delivery are powered by 40 000 services experts around the globe.

Sales and marketing

The Customer Operations ("CO") organization is responsible for sales and account management across the four network-oriented business groups. The teams are active in approximately 130 countries. They ensure that we are close to our customers, both physically and in terms of understanding the local markets, and help us build and maintain our customer relationships.

The CO organization is divided into seven markets which are presented below. This structure is targeted at allowing us to gain speed and efficiency in dealing with customer requirements while preserving existing customer relationships.

■ **Asia-Pacific and Japan** spans a varied geographical scope, ranging from advanced telecommunications markets, such as Japan and the Republic of Korea, to developing markets including Bangladesh, Myanmar and Vietnam. We work with leading operators in the market, including Indosat, KDDI, KT, LG Uplus, NBN Australia, NTT DoCoMo, Singtel, SK Broadband, SK Telecom, Smartfren, SoftBank, Spark, StarHub, Telekom Malaysia, Telkom Indonesia, Telkomsel, VNPT and Vodafone. We have close technology cooperation with leading operators in Korea and Japan as well as two Service Delivery Hubs in Japan and Indonesia.

Networks business in 2016 continued

- In **Europe**, we are engaged with all the major operators, including Deutsche Telekom, MegaFon, MTS Sistema, Orange, Telefónica, TeliaSonera and Vodafone Group, serving millions of customers. We have extensive R&D expertise in Europe, and some of our largest Technology Centers, which are working on future mobile broadband technologies, are based in this market. We also have a Global Delivery Center and four regional Service Delivery Hubs in Europe.
- In **Greater China**, we are the number one player with headquarters outside China, and working with all the operators including China Mobile, China Telecom, China Tower and China Unicom. We also have extended our market presence to the public and enterprise sectors including railways and public security. In Taiwan, we work with all major operators including Chunghwa Telecom and Taiwan Mobile. In China, we have five Technology Centers, one regional Service Delivery Hub as well as offices spread over 40 mega cities and provinces.
- In **India**, we are a strong supplier and service provider to the leading public and private operators. We have a Global Delivery Center, a Service Delivery Hub and a Global Technology Center in India.
- In **Latin America**, less than 10% of the population use LTE services, and high speed fixed broadband is still in its early phase. With an aim of providing broadband services to the population of over 600 million people in the area, we supply ultra-competitive solutions to all major operators, América Móvil, AT&T, Oi, Telefónica, Telmex and Tim in the region, as well as local operator groups such as Avantel, Milicom, Nuevatel and Personal.
- In **Middle East and Africa** we have built a position of considerable strength, with our work alongside leading operators such as Airtel, du, Etisalat, Maroc Telecom, Mobily, MTN, Ooredoo, Orange, OTA Djezzy, Smile, STC, Telkom, Vodacom and Zain among our key customers in the market.
- In **North America**, we count all the major operators as key customers. We also deliver advanced IP networking, ultra-broadband access, and Cloud technology solutions to a wide arrange of customers, including local service providers, cable operators, large enterprises, state and local governments, utilities, and many others. North America is also home to the company's most important and thriving innovation practices—from the renowned Bell Labs headquarters in Murray Hill, New Jersey, to our development labs in Silicon Valley.



TWDM-PON powers the first 10-gigabit community in the United States

EPB Fiber Optics, Chattanooga's municipal utility, launched the world's first community-wide 10-gigabit internet service. This is powered by our TWDM-PON fiber technology, which uses many wavelengths to provide more capacity, and is available to every home and business in EPB's service area.

Research and development

The Chief Innovation and Operating Office ("CIOO") is responsible for innovation steering in Nokia. Within the CIOO, the Chief Technology Office ("CTO") and Bell Labs organization are responsible for our research agenda and research portfolio. The CIOO develops disruptive technologies, incubates these technologies into novel prototype systems and solutions and then launches these via the business groups to generate growth and differentiation across our entire portfolio. The CIOO organization also steers innovation externally with customers, partners and governments, and has new solutions trialed in collaboration with customers and our business groups.

The four networks-oriented business groups are responsible for the product R&D within the Networks business.

The Networks business has a global network of Technology Centers, each with individual technology and competence specialties. These Technology Centers are located in China, Finland, France, Germany, India, the Philippines and the United States, among others.

We believe that the geographical diversity of our R&D network is an important competitive advantage for us. In addition, the ecosystem around each R&D site helps us to connect with experts on a global scale, and our R&D network is complemented by cooperation with universities and other research facilities.

As a result of its investments in R&D, our Networks business is one of the largest R&D investors in the telecommunications industry. We expect these capabilities to enable it to continue to drive innovation in the dynamic telecommunications sector, where product development constantly needs to improve in speed and efficiency in order to help operators cope with increasing subscriber demands and exponential data traffic growth.

Nokia Networks has a joint venture, TD Tech Communication Technologies Ltd., for development and manufacturing of TD-SCDMA and LTE technologies and related products in Beijing, Shanghai and Chengdu, China. The joint venture has supported the growth of our market position in China, and demonstrates that this partnering has been of great mutual benefit for both enterprises. Mutual customization of the most commoditized part of the portfolio allows Nokia to focus on lowering costs while producing a higher value offering.

Bell Labs, our research arm, focuses its research on key scientific, technological, engineering or mathematical areas, which require fundamental improvement in one or more dimensions, and combines these areas of research into so-called "Future X" solutions. These innovations are brought to the market through Nokia's business groups or through technology and patent licensing. Bell Labs also engages directly with the market and customers through Bell Labs consulting.

Bell Labs' successes over the last 90 years have been recognized with eight Nobel Prizes and many other honors, including National Medals of Science and Engineering, the Turing Prize, and the Japan Prize.

CloudBand
commercial
projects

25+

CloudBand
Ecosystem
members

65+

Enabling NFV with CloudBand

CloudBand is the first carrier grade NFV platform purpose-built for service providers.

“We have a global network of Technology Centers, each with individual technology and competence specialties.”

Patents and licenses

Intellectual property assets are fundamental to Nokia, which now controls three distinct IP portfolios: the Nokia Networks, Alcatel Lucent and Nokia Technologies portfolios. The first two are of particular relevance to the Networks business. For information on the Nokia Technologies patent portfolio please refer to “Business Overview—Nokia Technologies—Patents and Licenses”.

The Nokia Networks portfolio includes around 3 700 patent families, comprising approximately 10 000 individual patents and patent applications, built on its work as an industry leader in R&D of wireless, broadband and transport technologies.

The Alcatel Lucent portfolio includes around 17 500 patent families, comprising approximately 47 000 individual patents and patent applications, built from the wide ranging R&D activities of Alcatel Lucent, including Bell Labs, in fields such as wireless, IP networking, ultra-broadband access and Cloud technologies, and applications.

Nokia’s IPR portfolios include high-quality standard-essential patents (“SEPs”) and patent applications which have been declared to the European Telecommunications Standards Institute and other standards developing organizations as essential to standards including LTE, WCDMA, GSM and other standards. In addition, we hold copyright registrations relating to certain aspects of our products and services. We continue to drive new patent generation from R&D activities across our businesses and seek to safeguard our investments in technology through appropriate protection.

We receive and pay patent license royalties in the ordinary course of business based on existing agreements with telecommunications vendors and other third parties. We have a number of patent license agreements in place with other major companies and patent holders, and these provide us with freedom to operate with limited risk of infringing SEPs owned by others.

Competition

At present, we consider Cisco, Ericsson, Huawei and ZTE to be our main competitors in the operator infrastructure business. We also compete with technology-focused companies such as Adtran (fixed access networks), Ciena (optical network equipment) and Juniper (routing). Additionally, we consider Amdocs, IBM, Oracle and other IT companies as our competitors in the Applications & Analytics domain.



400Gbps over existing fiber network

Alcatel Lucent, now part of Nokia, and Vodafone Spain trialed transporting data at speeds of up to 400Gbps over 400km between Madrid and Zaragoza, using existing optical infrastructure.

The trial used Alcatel Lucent’s 400G technology and showed that an existing optical network can carry data at up to 17.6Tbps, doubling the current speed of fiber. It’s the equivalent of transmitting the contents of 88 Blu-ray discs in a single second, while reducing power and space consumption by half.

Nokia Technologies in 2016

Technology to move us forward.

Our advanced technology development and licensing business group, Nokia Technologies, was established with two main objectives:

- to drive growth and renewal in the existing patent licensing business; and
- to build new businesses for us, based on breakthrough innovation in key Programmable World technologies and products.



Nokia Technologies in 2016

R&D investment over the last two decades

€50bn+

Patent families

9 900

Individual patents

30 000



The first professional virtual reality camera

The OZO virtual reality camera is the first ever professional virtual reality camera for content creators. Crafted by Nokia Technologies, OZO combines the ultimate in engineering capabilities and intelligent design to offer the best virtual reality production experience.

In 2016, Nokia Technologies is operating with the following structure:

- **Patent Business:** We aim to expand Nokia's industry leading patent licensing business and manage the Nokia Technologies portfolio of approximately 9 900 patent families. Built on more than EUR 50 billion invested in R&D over the last two decades, the approximately 30 000 individual patents and patent applications cover innovations including many enabling technologies used in virtually all mobile devices used today.
- **Brand Partnerships:** We aim to work with our partners to deliver Nokia-branded consumer products to the market, starting with the N1 Android tablet launched in 2015.
- **Digital Media:** We focus on connecting people to stories, experiences and the world around them through immersive virtual reality capture and playback technologies, including the previously launched OZO virtual reality camera for professional content creators. Beyond OZO, Nokia Technologies expects to establish a virtual reality ecosystem (format, player licensing, new virtual reality experiences) to optimally manage virtual reality workflows and content to offer new and compelling end-user experiences (in production, distribution and consumption of virtual reality digital content).
- **Digital Health:** We aim to connect people to digital solutions that can improve their health.
- **Labs:** Through the R&D unit of Nokia Technologies, we seek to continue our track record of R&D leadership and innovation. Labs primarily supports the long-term Digital Media and Digital Health offering, and drives the renewal of our intellectual property portfolio.

Market overview

Nokia Technologies aims to be a leader in technology development and licensing. We see a world where billions of devices—large, small and minuscule—will connect to form intelligent systems, and we see significant potential for our own technologies and intellectual property in that world.

Business overview

Nokia Technologies develops and licenses technologies we believe will enable the Programmable World. We seek to create value from our investments by expanding our successful patent licensing program and helping other companies and organizations benefit from our innovations through our established and successful licensing business. Additionally, we are exploring the possibility of utilizing new technologies in our own future products and services.

Nokia Technologies was formed upon the closing of the Sale of the D&S Business (as defined below). The Nokia Technologies business combines a leading team from our former CTO with our world-class IPR activities. The business builds on the foundation we have established through investing cumulatively more than EUR 50 billion in R&D over the last two decades.

Innovations from our R&D activities created and shaped the fundamental technologies used in all mobile products and in multiple wireless communications technologies today. We are continuing to build on that heritage to drive further innovations in the areas of digital media and digital health.

Strategy

Nokia Technologies' strategy consists of:

- 1) patent licensing, focused on licensing standard-essential and other patents in the Nokia Technologies portfolio to companies in the mobile devices market and beyond;
- 2) technology licensing, focused on licensing proprietary technologies to enable our customers to build better products;
- 3) brand partnerships, to help our customers leverage the value of the Nokia brand in consumer devices; and
- 4) incubation, focused on developing new products and solutions in the areas of Digital Media and Digital Health; all of these activities are supported by Labs, its world-class R&D team.

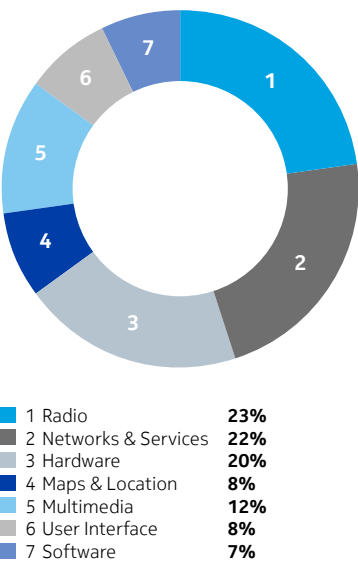
Sales and marketing

Nokia Technologies has significant ongoing R&D activities and an established patent licensing program. Nokia Technologies manages intellectual property as a technology asset and seeks a return on its investments by making its innovations available to the markets through licensing activities and transactions. Nokia Technologies currently has more than 100 licensees, mainly for our SEPs. Nokia Technologies is actively engaged in sales and marketing in support of the OZO virtual reality camera and related technology solutions that enable fully immersive audio and video experiences. Nokia Technologies is also building sales and marketing capabilities to support additional consumer and business-to-business products.

Nokia Technologies sees further opportunities in licensing its proprietary technologies, intellectual property and brand assets into telecommunications and adjacent industries. This has enabled numerous companies and businesses to benefit from our innovations in areas such as connectivity and imaging. Over the past ten years, we have also systematically licensed certain of our proprietary technologies, which we have decided not to reserve solely for our internal use.

Nokia Technologies aims to be a leader in technology development and licensing. We see a world where billions of devices will connect to form intelligent systems, and we see significant potential for our own technologies and intellectual property in that world."

Breakdown of Nokia Technologies' IP portfolio



Research and development

The Nokia Technologies team of world-class scientists and engineers has driven more than half of Nokia's recent patent filings. The applied nature of our R&D in Nokia Technologies has resulted in various relevant and valuable inventions in technology areas, which we believe are important for emerging consumer experiences in the Programmable World, such as underlying connectivity and sensing technologies as well as codecs for virtual reality video and audio and advanced machine learning-based analytics of health data.

Nokia Technologies has R&D activities in Finland, the United Kingdom and the United States.

Nokia Technologies holds several central roles in standardization bodies and contributes to standardization work by filing technical proposals which, when found relevant, are often accepted and embodied in standards. In addition, Nokia Technologies develops reference implementations while defining the standards, which result in significant innovations covering proprietary ways to implement relevant technologies.

Patents and licenses

Intellectual property assets are fundamental to Nokia, which now controls three distinct IP portfolios: the Nokia Networks, Alcatel Lucent and Nokia Technologies portfolios. For information on the first two portfolios, please refer to "Business Overview—Networks business in 2016—Patents and Licenses".

We continue to renew our patent portfolio with innovations from our strong R&D teams in Nokia Technologies.

Competition

The Nokia Technologies patent portfolio spans a number of technology categories including radio connectivity and networking, multimedia, user interface and mobile device software and hardware products. As Nokia Technologies expands its successful licensing program to cover patents which have not been broadly licensed to date, as well as proprietary technologies and other intellectual property, it could face competition from alternate technologies or solutions. However, it is too early to anticipate which of these may be significant in the future.

While several major technology companies are entering the virtual reality market, it is still nascent, and long-term trends for capture and playback solutions have not yet been identified.

Discontinued operations

The two businesses below are presented as Discontinued operations in this annual report.

HERE business

We sold our HERE digital mapping and location services business to a German automotive industry consortium comprising of AUDI AG, BMW Group and Daimler AG and the sale was completed on December 4, 2015.

The transaction, originally announced on August 3, 2015, valued HERE at an enterprise value of EUR 2.8 billion, subject to certain purchase price adjustments. We received net proceeds from the transaction of approximately EUR 2.55 billion at closing of the transaction.

We recorded a gain on the Sale of the HERE Business, including a related release of cumulative foreign exchange translation differences of approximately EUR 1.2 billion.

Devices & Services business

We sold substantially all of our Devices & Services business to Microsoft in a transaction that was completed on April 25, 2014 (the "Sale of the D&S Business"). We granted Microsoft a ten-year non-exclusive license to our patents and patent applications. The announced purchase price of the transaction was EUR 5.44 billion, of which EUR 3.79 billion related to the purchase of substantially all of the Devices & Services business, and EUR 1.65 billion to the ten-year mutual patent license agreement and the option to extend this agreement into perpetuity. Of the Devices & Services-related assets, our former CTO organization and our patent portfolio remained within the Nokia Group, and are now part of the Nokia Technologies business group.

Principal industry trends affecting operations

Business specific trends

Networks business

We are a leading vendor in the converged networks infrastructure market, providing a broad range of different products, from the hardware components of networks used by network operators and increasingly by enterprise customers, to software solutions supporting the efficient interaction of networks, as well as services to plan, optimize, implement, run and upgrade networks. The Networks business is conducted through four business groups: Mobile Networks, Fixed Networks, IP/Optical Networks and Applications & Analytics. These business groups provide an end-to-end portfolio of hardware, software and services to enable us to deliver the next generation of leading networks solutions and services to our customers. We aim for all four business groups to be innovation leaders, drawing on our frontline R&D capabilities to deliver leading products and services for our customers, and ultimately ensure the company's long-term value creation. For more information on the Networks business refer to "Business overview—Nokia in 2016—Networks business in 2016" above.

Industry trends

The networks industry has witnessed some important trends in recent years, affecting also our Networks business. First, the increase in the use of mobile data services and the resulting exponential increase in data traffic has led to an increased need for high performance, quality and reliability in networks. The continuing data traffic increase has, however, not been directly reflected in operators' revenue. As a result, there is an increased need for efficiency for both operators and network infrastructure and services vendors.

Second, we are witnessing more operator consolidation driven by operators' needs to provide a wider scope of services, especially through the convergence of disparate network technologies across mobile, fixed, and IP and optical networks. In order to improve networks in terms of coverage, capacity and quality, network operators continue their transition to all-IP architectures, with an emphasis on fast access to their networks through copper, fiber, LTE and new digital services delivery. We are also seeing similar trends with cable operators, who are investing to deploy high-speed networks. Both the fixed-mobile convergence and the transition to all-IP architectures were major rationales behind the acquisition of Alcatel Lucent with its IP and optical networks and fixed-access businesses.

Third, in addition to the attempts to reduce their costs, the operators may need to increase their agility through the adoption of the emerging Telco Cloud and network virtualization technologies. Web scale players, such as Amazon and Google, and large enterprises are driving the development of huge data centers, providing seamless IP interconnection and digital services delivery on a large scale. IP routing is at the heart of the telecommunications equipment and related services industry's transformation, impacting fixed and mobile broadband as well as Cloud services.

Pricing and price erosion

The pricing environment intensified during the first quarter of 2015 and remained approximately at the same level throughout 2015, impacting Nokia Networks' net sales and profitability.

Product mix

The profitability of our Networks business is also affected by product mix including the share of software in the sales mix. Products and services have varying profitability profiles. For instance, our Mobile Networks business group offers a combination of hardware, software and services. Hardware, and especially software products, generally have higher gross margins, but also require significant R&D investments, whereas the service offerings are typically labor-intensive, while carrying low R&D investment, and have relatively low gross margins compared to the hardware and software products of Mobile Networks.

Seasonality and cyclical nature of projects

Our Networks business' sales are affected by seasonality in the network operators' spending cycles, with generally higher sales in the fourth quarter, as compared to the first quarter of the following year. In addition to normal industry seasonality, there are normal peaks and troughs in the deployment of large infrastructure projects. The timing of these projects depends on new radio spectrum allocation, network upgrade cycles and the availability of new consumer devices and services, which in turn affects our Networks' business sales. As an example, during the last couple of years some of the major LTE roll-outs have been largely completed. The next major technology cycle is expected to begin in 2017 when utilization of 5G technology is expected to begin, with the initial commercial deployments currently expected from 2018 onwards.

Continued operational efficiency improvements

In 2015, Nokia Networks continued to focus on operational improvement across its business. In order to continue to make the Networks business more efficient and high-performing and positioned for long-term success, we aim to further strengthen our productivity, efficiency and competitive cost structure. To help to achieve this, we will bring performance excellence methodologies such as Kaizen, Lean, and Six Sigma to the operations acquired from Alcatel Lucent. The Networks business will also pursue further efficiency gains from increased automation in delivery of Global Services and in other areas, as well as continued improvements in R&D efficiency and agility.

Cost of components and raw materials

There are several important factors driving the profitability and competitiveness of our Networks business: scale, operational efficiency, and pricing and cost discipline. The costs of our networks products comprise, among others, components, manufacturing, labor and overhead, royalties and licensing fees, depreciation of product machinery, logistics and warranty and other quality costs.

Targets and priorities

Due to the acquisition of Alcatel Lucent, we believe it is not appropriate to provide an annual outlook for the Networks business at the present time, and we intend to provide our full year outlook in conjunction with our first quarter interim results announcement in May 2016. The 2016 net sales and operating margin, excluding special items and purchase price accounting-related items, are expected to be influenced by factors including:

- a flattish capex environment in 2016 for our overall addressable market;
- a declining wireless infrastructure market in 2016;
- competitive industry dynamics;
- product and regional mix;
- the timing of major network deployments; and
- execution of integration and synergy plans.



Principal industry trends affecting operations continued

Nokia Technologies

Nokia Technologies pursues new business opportunities building on our innovations and the Nokia brand. Nokia Technologies develops and licenses cutting-edge innovations that are powering the next revolution in computing and mobility. The Nokia Technologies strategy consists of: 1) patent licensing, focused on licensing standard-essential and other patents in the Nokia Technologies portfolio to companies in the mobile devices market and beyond; 2) technology licensing, focused on licensing proprietary technologies to enable our customers to build better products; 3) brand partnerships, to help our customers leverage the value of the Nokia brand in consumer devices; and 4) incubation, focused on developing new products and solutions in the areas of Digital Media and Digital Health. All of these activities are supported by Labs, its world-class R&D team. For more information on the Nokia Technologies business, refer to “Business overview—Nokia in 2016—Nokia Technologies”.

Monetization strategies of IPR

Success in the technology industry requires significant R&D investments, with the resulting patents and other IPR utilized to protect and generate a return on those investments and related inventions. In recent years, we have seen new entrants in the mobile device industry, many of which do not have licenses to our patents. Our aim is to approach these companies by potentially using one or more means of monetization. We believe we are well-positioned to protect, and build on, our existing industry-leading patent portfolios, and consequently to increase our shareholders' value.

We see a number of means of monetizing our innovations: on the one hand we seek to license our patent portfolios, the Nokia brand and new technological innovations to be integrated into other companies' products and services. On the other hand, our incubation activities may also, from time to time, lead to concepts that we bring to the market ourselves as products or services like OZO, the extraordinary virtual reality camera designed and built specifically for professional content creators. Overall, we have sharpened our focus in research and product development in alignment with the strategic growth opportunities we see emerging in the areas of digital health and digital media, including preventive health care and immersive virtual reality.



In patent licensing, the main opportunities we are pursuing are: 1) renewal of existing license agreements, and negotiating new license agreements with mobile device manufacturers; and 2) expanding the scope of licensing activities to other industries, in particular those that implement mobile communication technologies. We no longer need patent licenses for our former Devices & Services business, enabling possibilities to improve the balance of inbound and outbound patent licensing.

In technology licensing the opportunities are more long-term in our view, but we will look at opportunities to license technologies developed by Nokia Technologies and delivered to partners in consumer electronics as solutions or technology packages that can be integrated into their products and services to help enable the Programmable World.

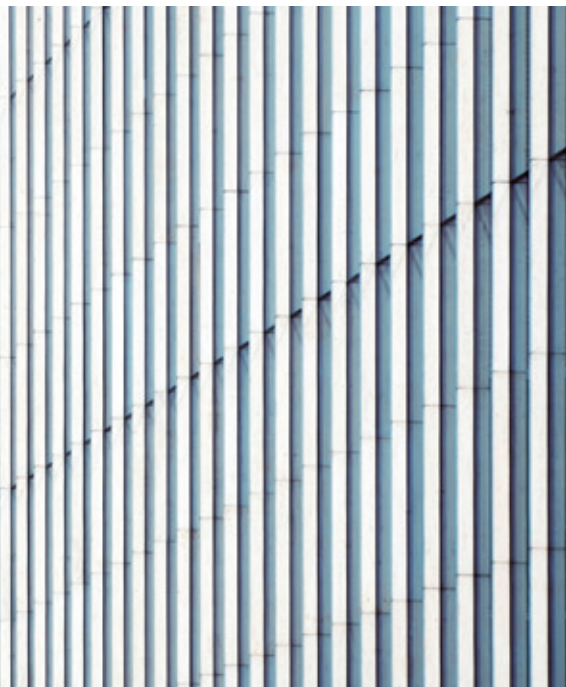
In brand licensing, we will continue to seek further opportunities to bring the Nokia brand into consumer devices, by licensing our brand and other intellectual property, as well as, for example, industrial design.

To grow each of the aforementioned business programs, it is necessary to invest in commercial capabilities to support them.

General trends in IPR licensing

In general, there has been increased focus on IPR protection and licensing, and this trend is expected to continue. As such, new agreements are generally a product of lengthy negotiations and potential litigation or arbitration, and therefore the timing and outcome may be difficult to forecast. Due to the structure of patent license agreements, the payments may be very infrequent, at times may be partly retrospective, and the lengths of license agreements can vary.

Additionally, there are clear regional differences in the ease of protecting and licensing patented innovations. We have seen some licensees actively avoiding making license payments, and some licensors using aggressive methods to collect them; both behaviors have attracted regulatory attention. We expect the discussion on the regulation of licensing to continue on both a global and a regional level. Some of those regulatory developments may be adverse to the interests of technology developers and patent owners, including us.



Nokia Group

Targets and priorities

In 2015, following our announcement to acquire Alcatel Lucent, we announced plans to target approximately EUR 900 million of net operating cost synergies to be achieved in full year 2018, compared to the combined operating costs of Nokia and Alcatel Lucent for full year 2015, excluding special items and purchase price accounting-related items. The operating cost synergies are expected to be derived from a wide range of initiatives related to operating expenses and cost of sales, including:

- streamlining of overlapping products and services, particularly within the Mobile Networks business group;
- rationalization of regional and sales organizations;
- rationalization of overhead, particularly within manufacturing, supply chain, real estate and information technology;
- reduction of central function and public company costs; and
- procurement efficiencies, given the combined company's expanded purchasing power.

In addition, we target approximately EUR 200 million of reductions in interest expenses to be achieved on a full year basis in 2016, compared to the cost of debt run rate for the combined entity at year end 2014.

Trends affecting our businesses

Exchange rates

We are a company with global operations and net sales derived from various countries and invoiced in various currencies. Therefore, our business and results from operations are exposed to changes in exchange rates between the euro, our reporting currency, and other currencies, such as the US dollar, Japanese yen and the Chinese yuan. The magnitude of foreign exchange exposures changes over time as a function of our net sales and costs in different markets, as well as the prevalent currencies used for transactions in those markets. Refer also to "General Facts on Nokia—Selected financial data—Exchange rate data" below.

To mitigate the impact of changes in exchange rates on our results, we hedge material net foreign exchange exposures (net sales less costs in a currency). We hedge forecast net cash flows typically with up to a 12-month hedging horizon. For the majority of these hedges, hedge accounting is applied to reduce income statement volatility.

In 2015, approximately 30% of Continuing operations net sales and approximately 30% of Continuing operations costs were denominated in euro. In 2015, approximately 35% of Continuing operations net sales were denominated in US dollar, approximately 10% in Chinese yuan, and approximately 5% in Japanese yen.

During 2015, the US dollar appreciated against the euro and this had a positive impact on our net sales expressed in euros. However, the stronger US dollar also contributed to higher cost of sales and operating expenses, as approximately 30% of our total cost base was in US dollars. In total, before hedging, the appreciation of the US dollar had a positive effect on our operating profit in 2015.

During 2015, the Japanese yen appreciated against the euro and this had a positive impact on our net sales expressed in euros. However, the stronger Japanese yen also contributed to higher cost of sales and operating expenses, as approximately 5% of Continuing operations total costs were denominated in Japanese yen. In total, before hedging, the appreciation of the Japanese yen had a positive effect on our operating profit in 2015.

During 2015, the Chinese yuan appreciated against the euro and this had a positive impact on our net sales expressed in euros. However, the stronger Chinese yuan also contributed to higher cost of sales and operating expenses, as approximately 10% of Continuing operations total costs were denominated in Chinese yuan. In total, before hedging, the appreciation of the Chinese yuan had a negative effect on our operating profit in 2015.

Significant changes in exchange rates may also impact our competitive position and related price pressures through their impact on our competitors.

For a discussion of the instruments used by us in connection with our hedging activities, refer to Note 35, Risk management, of our consolidated financial statements included in this annual report. Refer also to "Operating and financial review and prospects—Risk factors".

Research, development and patent portfolio development

As the creation of new technology assets and patented innovations is heavily focused on R&D activities with long lead-time to incremental revenues, we may from time to time see investment opportunities that have strategic importance. This generally affects the operating expenses before sales reflect a return on those investments.

Targets and priorities

Due to risks and uncertainties in determining the timing and value of significant licensing agreements, we believe it is not appropriate to provide an annual outlook for Nokia Technologies.

Our 2015 operations in a nutshell

Contents

| | |
|-----------------------------------|----|
| Board review | 46 |
| Results of operations | 47 |
| Continuing operations | 47 |
| Discontinued operations | 51 |
| Results of segments | 53 |
| Nokia Networks | 53 |
| Nokia Technologies | 56 |
| Group Common Functions | 57 |
| Liquidity and capital resources | 58 |
| Financial position | 58 |
| Cash flow | 58 |
| Financial assets and debt | 59 |
| Capital structure | |
| optimization program | 59 |
| Structured finance | 60 |
| Venture fund investments | |
| and commitments | 60 |
| Material subsequent events | 61 |
| Sustainability and corporate | |
| responsibility at Nokia | 62 |
| Improving people's lives | |
| with technology | 62 |
| Respecting people in | |
| everything we do | 62 |
| Protecting the environment | 63 |
| Making change happen together | 64 |
| Reporting on our performance | 65 |
| Employees | 65 |
| Shares and share capital | 66 |
| Board of Directors and Management | 67 |
| Dividend | 68 |
| Nokia's outlook | 69 |
| Risk factors | 70 |

Board review

Our 150-year anniversary year, 2015, was another year of fundamental change for Nokia as we took a major step forward as the company shaping the revolution in connectivity and digitization in the Programmable World.

The year marked the execution of the third phase of our latest transformation. The first phase started in 2012 and culminated with the sale of substantially all of our former Device and Services business in 2014. This took place simultaneously with our acquisition of Siemens' stake in Nokia Siemens Networks, a joint venture between Nokia and Siemens. The latest and third phase is the long-term strategy and vision planning for the renewed Nokia.

In April, we announced the acquisition of Alcatel Lucent in a transaction that supports and aligns with Nokia's vision and strategy and boosted our plans with a leap. The acquisition was done through a public exchange offer in France and in the United States on the basis of 0.55 Nokia share for every Alcatel Lucent security. The all-share transaction valued Alcatel Lucent at EUR 15.6 billion on a fully diluted basis, and assuming full acceptance of the offer, former Alcatel Lucent shareholders would own approximately a third of Nokia.

We at the Board thoroughly and carefully evaluated and considered the scope of the deal, wide range of different alternatives and the deal parameters, and, in the end, the full acquisition was deemed the best fit for our strategy and vision, and in the best interest of our shareholders. The deal gives Nokia greater scope, scale, innovation heft and customer reach to help us lead the development of next-generation 5G technology and the Internet of Things.

Our sharpened focus also included a strategic review of our HERE location and mapping business which was completed in August with an announcement to sell the business to a German automotive industry consortium.



In October, as part of the preparatory phase of the Alcatel Lucent transaction, we announced the planned leadership and organizational structure for the combined company, followed by the announcement of a planned two-year, EUR 7 billion capital structure optimization program, subject to closing the Alcatel Lucent transaction. This comprehensive program is based on a thorough analysis of Nokia's potential long-term capital structure requirements, and focuses on shareholder distributions and de-leveraging, while maintaining Nokia's financial strength.

In December, our shareholders showed their overwhelming support for the Alcatel Lucent acquisition at our Extraordinary General Meeting; and their support extended to the election of three new Board members, all with relevant industry experience and history with Alcatel Lucent.

After the successful completion of the exchange offers, we focused on moving forward with our combined operations as soon as possible. As a result, we emerged as a new company, with a strong portfolio and geographical reach, complemented with unique innovation capabilities that position us to drive and develop the technologies of tomorrow; to achieve profitable growth; to respond to the needs of our global customer base; to continue to successfully license our intellectual property rights; and, in short, to create value for our shareholders.

Results of operations

The financial information included in this “Operating and financial review and prospects” section at December 31, 2015 and 2014 and for each of the three years ended December 31, 2015, 2014 and 2013 has been derived from our audited consolidated financial statements included in this annual report. The financial information at December 31, 2015 and 2014 and for each of the three years ended December 31, 2015, 2014 and 2013 should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements.

Continuing operations

For the year ended December 31, 2015 compared to the year ended December 31, 2014

The following table sets forth selective line items and the percentage of net sales that they represent for the years indicated.

| For the year ended December 31 | 2015 EURm | % of net sales | 2014 EURm | % of net sales | Year-on-year change % |
|--|---------------|----------------|---------------|----------------|--------------------------|
| Net sales | 12 499 | 100.0 | 11 762 | 100.0 | 6 |
| Cost of sales | (7 046) | (56.4) | (6 855) | (58.3) | 3 |
| Gross profit | 5 453 | 43.6 | 4 907 | 41.7 | 11 |
| Research and development expenses | (2 126) | (17.0) | (1 948) | (16.6) | 9 |
| Selling, general and administrative expenses | (1 652) | (13.2) | (1 453) | (12.4) | 14 |
| Other income and expenses | 13 | 0.1 | (94) | (0.8) | – |
| Operating profit | 1 688 | 13.5 | 1 412 | 12.0 | 20 |

Net sales

Continuing operations net sales in 2015 were EUR 12 499 million, an increase of EUR 737 million, or 6%, compared to EUR 11 762 million in 2014. The increase in Continuing operations net sales was attributable to higher net sales in both Nokia Networks and Nokia Technologies. The increase in Nokia Networks net sales was primarily attributable to an increase in net sales in Global Services, partially offset by the absence of non-recurring intellectual property rights (“IPR”) net sales which benefitted 2014. The increase in Nokia Technologies net sales was primarily attributable to non-recurring net sales from existing and new agreements and revenue share related to previously divested IPR, and IPR divestments; higher IPR licensing income from existing and new licensees related to settled and ongoing arbitrations; as well as Microsoft becoming a more significant intellectual property licensee following the Sale of the D&S Business. The increase in net sales was partially offset by lower licensing income from certain existing licensees that experienced decreases in handset sales.

The following table sets forth distribution of net sales by geographical area for the years indicated.

| For the year ended December 31 | 2015 EURm | 2014 EURm | Year-on-year change % |
|--------------------------------|---------------|---------------|--------------------------|
| Europe ⁽¹⁾ | 3 813 | 3 493 | 9 |
| Middle East & Africa | 1 177 | 1 053 | 12 |
| Greater China | 1 712 | 1 380 | 24 |
| Asia-Pacific | 3 230 | 3 289 | (2) |
| North America | 1 594 | 1 538 | 4 |
| Latin America | 973 | 1 009 | (4) |
| Total | 12 499 | 11 762 | 6 |

(1) All Nokia Technologies net sales are allocated to Finland.

Refer to “Results of segments—Nokia Networks” for the main changes in regional net sales.

Gross margin

Gross margin for Continuing operations in 2015 was 43.6% compared to 41.7% in 2014. The increase in Continuing operations gross margin was attributable to an increase in Nokia Technologies gross margin. The increase was partially offset by a slight decrease in Nokia Networks gross margin. The increase in Nokia Technologies gross margin in 2015 was primarily attributable to higher net sales. The slight decrease in Nokia Networks gross margin in 2015 was primarily attributable to a lower gross margin in Global Services, a negative mix shift attributable to a higher proportion of Global Services net sales and a lower proportion of Mobile Broadband net sales and the absence of non-recurring IPR net sales in Nokia Networks Other, partially offset by a higher gross margin in Mobile Broadband.

Operating expenses

Our R&D expenses for Continuing operations in 2015 were EUR 2 126 million, an increase of EUR 178 million, or 9%, compared to EUR 1 948 million in 2014. R&D expenses represented 17.0% of our net sales in 2015 compared to 16.6% in 2014. The increase in R&D expenses was primarily attributable to higher R&D expenses in Nokia Networks and to a lesser extent in Nokia Technologies. The increase in Nokia Networks R&D expenses in 2015 was primarily attributable to higher personnel expenses and increased investments in LTE, 5G, small cells and Cloud core, partially offset by continued operational improvements. The increase in Nokia Technologies R&D expenses was primarily attributable to higher investments in digital media and technology incubation, higher patent portfolio costs and higher investments in digital health. R&D expenses included purchase price accounting-related items of EUR 35 million in 2015 compared to EUR 32 million in 2014.

Results of operations continued

Our selling, general and administrative expenses for Continuing operations in 2015 were EUR 1 652 million, an increase of EUR 199 million, or 14%, compared to EUR 1 453 million in 2014. Selling, general and administrative expenses represented 13.2% of our net sales in 2015 compared to 12.4% in 2014. The increase in selling, general and administrative expenses was attributable to higher selling, general and administrative expenses in Nokia Networks, and to a lesser extent in Group Common Functions and Nokia Technologies. The increase in Nokia Networks selling, general and administrative expenses was primarily attributable to higher personnel expenses, partially offset by a continued focus on cost efficiency. The increase in Group Common Functions selling, general and administrative expenses was primarily attributable to transaction and other related costs. In 2015, Group Common Functions included transaction-related costs of EUR 99 million compared to EUR 29 million in 2014. The increase in Nokia Technologies selling, general and administrative expenses was primarily attributable to the ramp-up of new businesses, increased licensing activities, and higher business support costs. Selling, general and administrative expenses included purchase price accounting-related items of EUR 44 million in 2015 compared to EUR 35 million in 2014.

Other income and expenses for Continuing operations in 2015 was a net income of EUR 13 million, an increase of EUR 107 million, compared to a net expense of EUR 94 million in 2014. The increase in other income and expenses was primarily attributable to Group Common Functions, and to a lesser extent Nokia Networks and Nokia Technologies. Group Common Functions other income and expenses in 2015 included net income of approximately EUR 100 million related to investments made through unlisted venture funds. The change in Nokia Networks other income and expenses in 2015 was primarily attributable to the absence of a EUR 31 million charge in 2014 for anticipated contractual remediation costs related to a technical issue with a third party component, lower costs related to the sale of receivables, lower net indirect tax expenses and the release of certain doubtful account allowances, partially offset by higher restructuring and associated charges. Nokia Networks other income and expenses included restructuring and associated charges of EUR 121 million in 2015 compared to EUR 57 million in 2014.

Operating profit

Our operating profit for Continuing operations in 2015 was EUR 1 688 million, an increase of EUR 276 million, or 19.5%, compared to an operating profit of EUR 1 412 million in 2014. The increase in operating profit was primarily attributable to an increase in operating profit in Nokia Technologies and a lower operating loss from Group Common Functions, partially offset by lower operating profit in Nokia Networks. Our operating profit in 2015 included purchase price accounting-related items, restructuring charges and other special items of EUR 261 million compared to EUR 188 million in 2014. Our operating margin in 2015 was 13.5% compared to 12.0% in 2014.

Financial income and expenses

Financial income and expenses for Continuing operations was a net expense of EUR 177 million in 2015 compared to a net expense of EUR 401 million in 2014, a decrease of EUR 224 million, or 56%. The lower net financial expense in 2015 was primarily attributable to the absence of a financial expense of EUR 123 million relating to the redemption of all material Nokia Networks' borrowings in 2014, and the absence of a non-cash charge of EUR 57 million relating to the repayment of EUR 1 500 million convertible bonds issued to Microsoft.

Refer to "—Liquidity and capital resources" below.

Profit before tax

Our profit before tax for Continuing operations in 2015 was EUR 1 540 million, an increase of EUR 541 million compared to EUR 999 million in 2014.

Income tax

Income taxes for Continuing operations was a net expense of EUR 346 million in 2015, a change of EUR 2 065 million compared to a net benefit of EUR 1 719 million in 2014. In 2014, the net income tax benefit was primarily attributable to the recognition of EUR 2 126 million deferred tax assets following the reassessment of recoverability of tax assets in Finland and Germany.

Profit attributable to equity holders of the parent and earnings per share

Profit attributable to equity holders of the parent in 2015 was EUR 2 466 million, a decrease of EUR 996 million, compared to a profit of EUR 3 462 million in 2014. Continuing operations generated profit attributable to equity holders of the parent in 2015 of EUR 1 192 million compared to a profit of EUR 2 710 million in 2014. Profit attributable to equity holders of the parent in 2014 was favorably impacted by the recognition of EUR 2 126 million deferred tax assets. Nokia Group's total basic EPS in 2015 decreased to EUR 0.67 (basic) and EUR 0.63 (diluted) compared to EUR 0.94 (basic) and EUR 0.85 (diluted) in 2014. From Continuing operations, EPS in 2015 decreased to EUR 0.32 (basic) and EUR 0.31 (diluted) compared to EUR 0.73 (basic) and EUR 0.67 (diluted) in 2014.

For the year ended December 31, 2014 compared to the year ended December 31, 2013

The following table sets forth selective line items and the percentage of net sales that they represent for years indicated.

| For the year ended December 31 | 2014 EURm | % of net sales | 2013 EURm | % of net sales | Year-on-year change % |
|--|---------------|----------------|---------------|----------------|--------------------------|
| Net sales | 11 762 | 100.0 | 11 795 | 100.0 | – |
| Cost of sales | (6 855) | (58.3) | (7 157) | (60.7) | (4) |
| Gross profit | 4 907 | 41.7 | 4 638 | 39.3 | 6 |
| Research and development expenses | (1 948) | (16.6) | (1 970) | (16.7) | (1) |
| Selling, general and administrative expenses | (1 453) | (12.4) | (1 483) | (12.6) | (2) |
| Other income and expenses | (94) | (0.8) | (513) | (4.3) | (82) |
| Operating profit | 1 412 | 12.0 | 672 | 5.7 | 110 |

Net sales

Continuing operations net sales in 2014 were EUR 11 762 million, a decrease of EUR 33 million, compared to EUR 11 795 million in 2013. The slight decrease in Continuing operations net sales was primarily attributable to a slight decrease in net sales in Nokia Networks. The decrease was partly offset by an increase in net sales in Nokia Technologies. The decrease in Nokia Networks net sales was primarily attributable to a decrease in Global Services net sales, and the absence of sales from businesses that were divested and certain customer agreements and countries that were exited in 2013. The decrease was partially offset by an increase in Mobile Broadband net sales. The increase in Nokia Technologies net sales was primarily attributable to higher intellectual property licensing income from certain licensees, including Microsoft becoming a more significant intellectual property licensee in connection with the Sale of the D&S Business.

The following table sets forth distribution of net sales by geographical area for the years indicated.

| For the year ended December 31 | 2014 EURm | 2013 EURm | Year-on-year change % |
|--------------------------------|---------------|---------------|--------------------------|
| Europe ⁽¹⁾ | 3 493 | 3 556 | (2) |
| Middle East & Africa | 1 053 | 1 112 | (5) |
| Greater China | 1 380 | 1 184 | 17 |
| Asia-Pacific | 3 289 | 3 353 | (2) |
| North America | 1 538 | 1 334 | 15 |
| Latin America | 1 009 | 1 256 | (20) |
| Total | 11 762 | 11 795 | – |

(1) All Nokia Technologies net sales are allocated to Finland.

Refer to “Results of segments—Nokia Networks” for the main changes in regional net sales.

Gross margin

Gross margin for Continuing operations in 2014 was 41.7%, compared to 39.3% in 2013. The increase in gross margin was attributable to the increase in gross margin in both Nokia Networks and Nokia Technologies. The increase in Nokia Networks gross margin was primarily attributable to a higher proportion of Mobile Broadband in the overall sales mix and an increase in the gross margin of Global Services, partially offset by a slight decrease in the gross margin of Mobile Broadband. The increase in Nokia Technologies gross margin was primarily attributable to the absence of a one-time cost related to a patent divestment transaction which negatively affected gross margin in 2013.

Operating expenses

Our R&D expenses were EUR 1 948 million in 2014, a decrease of EUR 22 million compared to EUR 1 970 million in 2013. R&D expenses represented 16.6% of our net sales in 2014, compared to 16.7% in 2013. The decrease in R&D expenses was primarily attributable to Nokia Networks, partially offset by Nokia Technologies. The decrease in Nokia Networks R&D expenses was primarily attributable to lower subcontracting costs. The decrease was partially offset by headcount increases mainly related to increased in-house activities. The increase in R&D expenses in Nokia Technologies was primarily attributable to investments in business activities, such as building the technology and brand licensing units, which target new and significant long-term growth opportunities. In 2014, R&D expenses included EUR 13 million of transaction-related personnel costs related to the Sale of the D&S Business compared to EUR 15 million in 2013. R&D expenses included purchase price accounting-related items of EUR 32 million in 2014, compared to EUR 20 million in 2013.

Results of operations continued

In 2014, our selling, general and administrative expenses were EUR 1 453 million, a decrease of EUR 30 million or 2%, compared to EUR 1 483 million in 2013. Selling, general and administrative expenses represented 12.4% of our net sales in 2014 compared to 12.6% in 2013. The decrease in selling, general and administrative expenses was primarily attributable to the decrease in selling, general and administrative expenses in Nokia Networks. The decrease was partially offset by an increase in selling, general and administrative expenses in Group Common Functions and Nokia Technologies. The decrease in selling, general and administrative expenses in Nokia Networks was primarily attributable to structural cost savings from Nokia Networks global restructuring program. The decrease was partially offset by headcount increases related to an increased focus on growth. The increase in selling, general and administrative expenses in Group Common Functions was primarily attributable to transaction-related costs resulting from the Sale of the D&S Business. The increase in selling, general and administrative expenses in Nokia Technologies was primarily attributable to increased activities, such as building the technology and brand licensing units, related to anticipated and ongoing patent licensing cases, as well as higher business support costs. In 2014, selling, general and administrative expenses included EUR 30 million of transaction-related costs. Selling, general and administrative expenses included purchase price accounting-related items of EUR 35 million in 2014 compared to EUR 80 million in 2013.

Other income and expenses was a net expense of EUR 94 million in 2014, compared to a net expense of EUR 513 million in 2013. The change in other income and expenses was primarily attributable to Nokia Networks, partially offset by Group Common Functions. In 2014, Nokia Networks other income and expenses included restructuring and associated charges of EUR 57 million and anticipated contractual remediation costs of EUR 31 million. In 2013, Nokia Networks other income and expenses included restructuring and associated charges of EUR 570 million.

Operating profit

Our operating profit in 2014 was EUR 1 412 million, an increase of EUR 740 million, or 110%, compared to an operating profit of EUR 672 million in 2013. The increase in operating profit was attributable to both Nokia Networks and Nokia Technologies. Our operating profit in 2014 included purchase price accounting-related items, restructuring charges and other special items of EUR 188 million compared to EUR 716 million in 2013. Our operating margin in 2014 was 12.0% compared to 5.7% in 2013.

Financial income and expenses

Financial income and expenses in 2014 was a net expense of EUR 401 million, compared to a net expense of EUR 277 million in 2013. The higher net financial expense in 2014 was primarily attributable to a EUR 123 million one-time charge related to the redemption of materially all of Nokia Networks' borrowings, and a non-cash charge of EUR 57 million related to the repayment of EUR 1 500 million convertible bond issued to Microsoft. These charges were partially offset by reduced interest expenses and lower net foreign exchange losses.

Refer to "—Liquidity and capital resources" below.

Profit before tax

Continuing operations' profit before tax was EUR 999 million in 2014, compared to EUR 399 million in 2013.

Income tax

Income taxes for Continuing operations was a net benefit of EUR 1 719 million in 2014, a change of EUR 1 990 million compared to a net expense of EUR 271 million in 2013. The net income tax benefit was primarily attributable to the recognition of EUR 2 126 million deferred tax assets from the reassessment of recoverability of tax assets in Finland and Germany in 2014, which resulted in a EUR 2 034 million non-cash tax benefit in the third quarter 2014. Following the global restructuring actions taken primarily in 2012 and 2013 to reduce annualized operating expenses and production overheads; and the recent profitability of Nokia Networks, the divestment of the previously loss-making Devices & Services business; and forecasts of future profitability for Continuing operations, we were able to re-establish a pattern of sufficient profitability in Finland and Germany to utilize the cumulative losses, foreign tax credits and other temporary differences. A significant portion of our Finnish and German deferred tax assets are indefinite in nature and available against future Finnish and German tax liabilities.

Non-controlling interests

Profit for Continuing operations attributable to non-controlling interests was EUR 8 million in 2014, compared to a loss attributable to non-controlling interests of EUR 145 million in 2013. The change was primarily attributable to our acquisition of Siemens' stake in Nokia Networks (formerly Nokia Siemens Networks) in August 2013, which significantly reduced non-controlling interests in that business.

Profit/loss attributable to equity holders of the parent and earnings per share

Profit attributable to equity holders of the parent in 2014 equaled EUR 3 462 million, compared to a loss of EUR 615 million in 2013. Continuing operations generated a profit attributable to equity holders of the parent in 2014, equaling EUR 2 710 million, compared to EUR 273 million in 2013. Profit attributable to equity holders of the parent in 2014 was favorably impacted by the recognition of EUR 2 126 million deferred tax assets. Nokia Group's total EPS in 2014 increased to EUR 0.94 (basic) and EUR 0.85 (diluted), compared to EUR (0.17) (basic) and EUR (0.17) (diluted) in 2013. From Continuing operations, EPS in 2014 increased to EUR 0.73 (basic) and EUR 0.67 (diluted), compared to EUR 0.07 (basic) and EUR 0.07 (diluted) in 2013.

Discontinued operations

For the year ended December 31, 2015 compared to the year ended December 31, 2014

As the Sale of the HERE Business closed on December 4, 2015 and the Sale of the D&S Business closed on April 25, 2014, the financial results of Discontinued operations in 2015 are not comparable to the financial results of Discontinued operations in 2014.

The following table sets forth selective line items and the percentage of net sales that they represent for the years indicated.

| For the year ended December 31 | 2015 EURm | % of net sales | 2014 EURm | % of net sales | Year-on-year change % |
|--|--------------|----------------|----------------|----------------|--------------------------|
| Net sales | 1 075 | 100.0 | 3 428 | 100.0 | (69) |
| Cost of sales | (244) | (22.7) | (2 325) | (67.8) | (90) |
| Gross profit | 831 | 77.3 | 1 103 | 32.2 | (25) |
| Research and development expenses | (498) | (46.3) | (899) | (26.2) | (45) |
| Selling, general and administrative expenses | (213) | (19.8) | (628) | (18.3) | (66) |
| Other income and expenses ⁽¹⁾ | (23) | (2.1) | (1 354) | (39.5) | (98) |
| Operating profit/(loss) | 97 | 9.0 | (1 778) | (51.9) | – |

(1) Includes impairment of goodwill of EUR 1 209 million related to HERE in 2014.

Net sales

Discontinued operations net sales in 2015 were EUR 1 075 million, a decrease of EUR 2 353 million, or 69%, compared to EUR 3 428 million in 2014. The decrease was attributable to the absence of net sales from Devices and Services.

Gross margin

Discontinued operations gross margin in 2015 was 77.3%, compared to a gross margin of 32.2% in 2014. The increase in gross margin was attributable to the absence of cost of sales from Devices and Services.

Operating expenses

Discontinued operations operating expenses in 2015 were EUR 734 million, a decrease of EUR 2 147 million, or 74.5%, compared to EUR 2 881 million in 2014. The decrease was primarily attributable to the absence of a EUR 1 209 million impairment charge related to HERE which negatively affected 2014, and lower operating expenses attributable to Devices & Services.

Operating profit/loss

Discontinued operations operating profit in 2015 was EUR 97 million, an increase of EUR 1 875 million, compared to an operating loss of EUR 1 778 million in 2014. The change in Discontinued operations operating result was primarily attributable to the absence of a EUR 1 209 million impairment charge related to HERE which negatively affected 2014, and lower operating expenses attributable to Devices & Services, partially offset by lower gross profit.

Profit for the year

Discontinued operations profit in 2015 was EUR 1 274 million, an increase of EUR 516 million compared to a profit of EUR 758 million in 2014. The gain on the Sale of the HERE Business recorded in 2015 was EUR 1 178 million, which included a reclassification of EUR 1 174 million of foreign exchange differences from other comprehensive income. The gain on the Sale of the D&S Business recorded in 2014 was EUR 2 803 million.

Results of operations continued

For the year ended December 31, 2014 compared to the year ended December 31, 2013

As the Sale of the D&S Business closed on April 25, 2014, the financial results of Discontinued operations in 2014 are not comparable to the financial results of Discontinued operations in 2013.

The following table sets forth selective line items and the percentage of net sales that they represent for the years indicated.

| For the year ended December 31 | 2014 EURm | % of net sales | 2013 EURm | % of net sales | Year-on-year change % |
|--|----------------|----------------|---------------|----------------|--------------------------|
| Net sales | 3 428 | 100.0 | 11 649 | 100.0 | (71) |
| Cost of sales | (2 325) | (67.8) | (8 734) | (75.0) | (73) |
| Gross profit | 1 103 | 32.2 | 2 915 | 25.0 | (62) |
| Research and development expenses | (899) | (26.2) | (1 778) | (15.3) | (49) |
| Selling, general and administrative expenses | (628) | (18.3) | (1 747) | (15.0) | (64) |
| Other income and expenses ⁽¹⁾ | (1 354) | (39.5) | (133) | (1.1) | 917 |
| Operating loss | (1 778) | (51.9) | (743) | (6.4) | (139) |

(1) Includes impairment of goodwill of EUR 1 209 million related to HERE in 2014.

Net sales

Discontinued operations net sales in 2014 were EUR 3 428 million, a decrease of EUR 8 221 million, or 71%, compared to EUR 11 649 million in 2013. The decrease was primarily attributable to the part-year absence of net sales from Devices and Services, partially offset by an increase in net sales in HERE.

Gross margin

Discontinued operations gross margin in 2014 was 32.2%, compared to 25.0% in 2013. The increase in gross margin was primarily attributable to the part-year absence of Devices and Services.

Operating expenses

Discontinued operations operating expenses were EUR 2 881 million in 2014, a decrease of EUR 777 million, or 21%, compared to EUR 3 658 million in 2013. The decrease was primarily attributable to the part-year absence of Devices and Services, partially offset by a EUR 1 209 million impairment charge related to HERE, which negatively affected 2014.

Operating loss

Discontinued operations operating loss was EUR 1 778 million in 2014 compared to EUR 743 million in 2013. The increase in operating loss in 2014 was primarily attributable to a EUR 1 209 million impairment charge related to HERE which negatively affected 2014.

Profit/loss for the year

Discontinued operations profit in 2014 was EUR 758 million, an increase of EUR 1 625 million compared to a loss of EUR 867 million in 2013. The gain on the Sale of the D&S Business recorded in 2014 was EUR 2 803 million.

Results of segments

Nokia Networks

For the year ended December 31, 2015 compared to the year ended December 31, 2014

The following table sets forth selective line items and the percentage of net sales that they represent for the years indicated.

| For the year ended December 31 | 2015 EURm | % of net sales | 2014 EURm | % of net sales | Year-on-year change % |
|--|---------------|----------------|---------------|----------------|--------------------------|
| Net sales | 11 490 | 100.0 | 11 198 | 100.0 | 3 |
| Cost of sales | (7 053) | (61.4) | (6 862) | (61.3) | 3 |
| Gross profit | 4 437 | 38.6 | 4 336 | 38.7 | 2 |
| Research and development expenses | (1 928) | (16.8) | (1 786) | (15.9) | 8 |
| Selling, general and administrative expenses | (1 321) | (11.5) | (1 236) | (11.0) | 7 |
| Other income and expenses | (92) | (0.8) | (104) | (0.9) | (12) |
| Operating profit | 1 096 | 9.5 | 1 210 | 10.8 | (9) |

Segment information⁽¹⁾

| For the year ended December 31 EURm | Mobile Broadband | Global Services | Nokia Networks Other ⁽²⁾ | Nokia Networks Total |
|--|---------------------|--------------------|--|-------------------------|
| 2015 | | | | |
| Net sales | 6 064 | 5 422 | 4 | 11 490 |
| Operating profit/(loss) | 604 | 654 | (162) | 1 096 |
| % of net sales | 10.0 | 12.1 | – | 9.5 |
| 2014 | | | | |
| Net sales | 6 039 | 5 105 | 54 | 11 198 |
| Operating profit/(loss) | 683 | 653 | (126) | 1 210 |
| % of net sales | 11.3 | 12.8 | – | 10.8 |

(1) Refer to Note 2, Segment information, of our consolidated financial statements included in this annual report.

(2) Nokia Networks Other includes net sales and related cost of sales and operating expenses of non-core businesses, as well as IPR net sales and related costs. It also includes restructuring and associated charges for the Nokia Networks business.

Net sales

Nokia Networks net sales in 2015 were EUR 11 490 million, an increase of EUR 292 million, or 3%, compared to EUR 11 198 million in 2014. The increase in Nokia Networks net sales was primarily attributable to an increase in net sales in Global Services, partially offset by the absence of non-recurring IPR net sales which benefited 2014. Global Services net sales were EUR 5 422 million in 2015, an increase of EUR 317 million, or 6%, compared to EUR 5 105 million in 2014. The increase was primarily attributable to growth in all business lines except managed services. Mobile Broadband net sales in 2015 were EUR 6 064 million, approximately flat compared to EUR 6 039 million in 2014. Foreign exchange fluctuations had a positive impact on net sales in 2015 compared to 2014.

The following table sets forth distribution of net sales by geographical area for the years indicated.

| For the year ended December 31 | 2015 EURm | 2014 EURm | Year-on-year change % |
|--------------------------------|---------------|---------------|--------------------------|
| Europe | 2 804 | 2 929 | (4) |
| Middle East & Africa | 1 177 | 1 053 | 12 |
| Greater China | 1 712 | 1 380 | 24 |
| Asia-Pacific | 3 230 | 3 289 | (2) |
| North America | 1 594 | 1 538 | 4 |
| Latin America | 973 | 1 009 | (4) |
| Total | 11 490 | 11 198 | 3 |

Nokia Networks net sales in Greater China increased 24% in 2015 compared to 2014 driven by higher net sales in both Mobile Broadband and Global Services. The higher net sales in Mobile Broadband was primarily attributable to growth in LTE and core networking technologies, partially offset by lower net sales in other radio technologies. The higher net sales in Global Services was driven by growth across all business lines.

In Middle East and Africa, net sales increased 12% in 2015 compared to 2014 driven by higher net sales in both Global Services and Mobile Broadband. The overall increase in Middle East and Africa was primarily attributable to growth in several countries in the Middle East.

In North America, net sales increased 4% in 2015 compared to 2014, driven by higher net sales in Global Services, partially offset by lower net sales in Mobile Broadband, as well as the absence of non-recurring IPR net sales which benefited 2014. The higher net sales in Global Services was primarily attributable to strength in the network implementation business line, including the benefit from the acquisition of SAC Wireless. The lower net sales in Mobile Broadband was primarily attributable to lower net sales in overall radio technologies.

In Europe, net sales decreased 4% in 2015 compared to 2014, primarily driven by lower net sales in Global Services. The overall decrease in Europe was primarily attributable to lower net sales in Germany and Russia, partially offset by growth in the United Kingdom.

Results of segments continued

In Asia-Pacific, net sales decreased 2% in 2015 compared to 2014, driven by lower net sales in both Global Services and Mobile Broadband. The overall decrease in Asia-Pacific was primarily attributable to lower net sales in Japan and South Korea, partially offset by growth in India and Myanmar.

In Latin America, net sales decreased 4% in 2015 compared to 2014, driven by lower net sales in both Mobile Broadband and Global Services. The overall decrease in Latin America was primarily attributable to lower net sales in Brazil, partially offset by growth in Argentina.

Gross margin

Nokia Networks gross margin in 2015 was 38.6%, compared to 38.7% in 2014. The slight decrease in Nokia Networks gross margin in 2015 was primarily attributable to a lower gross margin in Global Services, a negative mix shift attributable to a higher proportion of Global Services net sales and a lower proportion of Mobile Broadband net sales and the absence of non-recurring IPR net sales in Nokia Networks Other, partially offset by a higher gross margin in Mobile Broadband.

The decrease in gross margin in Global Services was primarily attributable to lower gross margin in the network implementation and network planning and optimization business lines, partially offset by higher gross margin in the care business line. The increase in gross margin in Mobile Broadband was primarily attributable to higher gross margin in overall radio technologies. In addition, Nokia Networks gross margin was negatively impacted by higher costs related to the short-term impact of strategic entry deals, and challenging market conditions. The proportion of high margin software sales in the Nokia Networks sales mix was approximately flat in 2015 compared to 2014.

Operating expenses

Nokia Networks R&D expenses were EUR 1 928 million in 2015, an increase of EUR 142 million, or 8%, compared to EUR 1 786 million in 2014. The increase was primarily attributable to higher personnel expenses and increased investments in LTE, 5G, small cells and Cloud core, partially offset by continued operational improvements.

Nokia Networks selling, general and administrative expenses were EUR 1 321 million in 2015, an increase of EUR 85 million, or 7%, compared to EUR 1 236 million in 2014. In 2015, the increase was primarily attributable to higher personnel expenses, partially offset by a continued focus on cost efficiency.

For the year ended December 31, 2014 compared to the year ended December 31, 2013

The following table sets forth selective line items and the percentage of net sales that they represent for the years indicated.

| For the year ended December 31 | 2014 EURm | % of net sales | 2013 EURm | % of net sales | Year-on-year change % |
|--|---------------|----------------|---------------|----------------|--------------------------|
| Net sales | 11 198 | 100.0 | 11 282 | 100.0 | (1) |
| Cost of sales | (6 862) | (61.3) | (7 148) | (63.4) | 4 |
| Gross profit | 4 336 | 38.7 | 4 134 | 36.6 | 5 |
| Research and development expenses | (1 786) | (15.9) | (1 822) | (16.1) | (2) |
| Selling, general and administrative expenses | (1 236) | (11.0) | (1 310) | (11.6) | (6) |
| Other income and expenses | (104) | (0.9) | (582) | (5.2) | (82) |
| Operating profit | 1 210 | 10.8 | 420 | 3.7 | 188 |

Nokia Networks other income and expenses was an expense of EUR 92 million in 2015 compared to an expense of EUR 104 million in 2014, a change of EUR 12 million. The change was primarily attributable to the absence of a EUR 31 million charge in 2014 for anticipated contractual remediation costs related to a technical issue with a third party component, lower costs related to the sale of receivables, lower net indirect tax expenses and the release of certain doubtful account allowances, partially offset by higher restructuring and associated charges. In 2015, Nokia Networks other income and expenses included EUR 121 million of restructuring and associated charges, compared to EUR 57 million in 2014. In 2015, Nokia Networks recorded costs of EUR 85 million, related to certain cost reduction and efficiency improvement initiatives. The related annual cost savings are expected to be approximately EUR 70 million in 2016. The costs related to the cost reduction and efficiency improvement initiatives consist of personnel severance charges in Germany, the United States, China and Japan, and are expected to result in cash outflows of approximately EUR 80 million. In addition, Nokia Networks recorded EUR 37 million costs following changes in estimates for the Brazil and Germany provisions, related to the global restructuring program announced in 2011.

Operating profit

Nokia Networks operating profit was EUR 1 096 million in 2015, a decrease of EUR 114 million compared to EUR 1 210 million in 2014. Nokia Networks operating margin in 2015 was 9.5% compared to 10.8% in 2014. The decrease in operating profit was primarily attributable to lower operating profit in Mobile Broadband and Nokia Networks Other.

Mobile Broadband operating profit decreased from EUR 683 million in 2014 to EUR 604 million in 2015. The decrease in Mobile Broadband operating profit in 2015 was primarily attributable to higher operating expenses, partially offset by higher gross profit.

Global Services operating profit was EUR 654 million in 2015 compared to EUR 653 million in 2014. The approximately flat Global Services operating profit in 2015 was primarily attributable to higher operating expenses, offset by higher gross profit.

The decrease in operating profit in Nokia Networks Other was primarily attributable to lower gross profit and higher operating expenses.

Segment information⁽¹⁾

| For the year ended December 31 EURm | Mobile Broadband | Global Services | Nokia Networks Other ⁽²⁾ | Nokia Networks Total |
|--|---------------------|--------------------|---|----------------------------|
| 2014 | | | | |
| Net sales | 6 039 | 5 105 | 54 | 11 198 |
| Operating profit/(loss) | 683 | 653 | (126) | 1 210 |
| % of net sales | 11.3 | 12.8 | – | 10.8 |
| 2013 | | | | |
| Net sales | 5 347 | 5 753 | 182 | 11 282 |
| Operating loss/(loss) | 420 | 693 | (693) | 420 |
| % of net sales | 7.9 | 12.0 | – | 3.7 |

(1) Refer to Note 2, Segment information, of our consolidated financial statements included in this annual report.

(2) Nokia Networks Other 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 the Nokia Networks business.

Net sales

Nokia Networks net sales in 2014 were EUR 11 198 million, a decrease of EUR 84 million, or 1%, compared to EUR 11 282 million in 2013. The decrease in Nokia Networks net sales was primarily attributable to a decrease in Global Services net sales and the absence of sales from businesses that were divested and certain customer agreements and countries that were exited in 2013. The decrease was partly offset by an increase in Mobile Broadband net sales.

Mobile Broadband net sales increased to EUR 6 039 million in 2014 by EUR 692 million, or 13%, compared to EUR 5 347 million in 2013. The increase was primarily attributable to an increase in net sales in radio and core networking technologies. The increase in radio technologies net sales was primarily attributable to growth in LTE. The increase was partially offset by a decrease in net sales in mature radio technologies.

Global Services net sales decreased to EUR 5 105 million in 2014 by EUR 648 million, or 11%, compared to EUR 5 753 million in 2013. The decrease was primarily attributable to decreases in net sales in network implementation and managed services including the exiting of certain customer agreements and countries, as well as a decrease in the care business line. The decrease was partially offset by an increase in net sales in the systems integration business line.

The following table sets forth distribution of net sales by geographical area for the years indicated.

| For the year ended December 31 | 2014 EURm | 2013 EURm | Year-on-year change % |
|--------------------------------|---------------|---------------|--------------------------|
| Europe | 2 929 | 3 041 | (4) |
| Middle East & Africa | 1 053 | 1 111 | (5) |
| Greater China | 1 380 | 1 185 | 16 |
| Asia-Pacific | 3 289 | 3 354 | (2) |
| North America | 1 538 | 1 334 | 15 |
| Latin America | 1 009 | 1 257 | (20) |
| Total | 11 198 | 11 282 | (1) |

In Europe, net sales decreased 4% primarily attributable to lower network deployments in Western Europe, partially offset by higher network deployments in Eastern Europe. In Middle East and Africa, net sales decreased 5% primarily attributable to lower network deployments. In Greater China, net sales increased 16% primarily attributable to higher LTE network deployments. In Asia-Pacific, net sales decreased 2% primarily attributable to lower network deployments in Japan, partially offset by higher network deployments in India and Korea. In North America, net sales increased 15% primarily attributable to LTE network deployments at major customers. Nokia Networks net sales in Latin America decreased 20% in 2014 compared to 2013 primarily attributable to the exiting of certain customer agreements and lower network deployments in Brazil, Chile and Mexico.

Gross margin

Nokia Networks gross margin in 2014 was 38.7%, compared to 36.6% in 2013. The increase in Nokia Networks gross margin was primarily attributable to a higher proportion of Mobile Broadband in the overall sales mix and an increase in the gross margin of Global Services, partially offset by a slight decrease in the gross margin of Mobile Broadband.

The decrease in the gross margin of Mobile Broadband was primarily attributable to a lower gross margin in mature radio technologies. The decrease was partially offset by a higher gross margin in LTE and core networking technologies. In addition, Mobile Broadband gross margin in 2014 benefitted from lower costs incurred in anticipation of a technology shift to TD-LTE, which adversely affected the gross margin of Mobile Broadband in 2013.

The increase in the gross margin of Global Services was primarily attributable to a more favorable sales mix including a lower proportion of managed services and a higher proportion of systems integration in the sales mix, as well as margin improvement in systems integration. The increase was partially offset by lower gross margin in care, network implementation and network planning and optimization.

Results of segments continued

Operating expenses

Nokia Networks R&D expenses were EUR 1 786 million in 2014, a decrease of EUR 36 million, or 2%, compared to EUR 1 822 million in 2013. The decrease in Nokia Networks R&D expenses was primarily attributable to lower subcontracting costs. The decrease was partially offset by headcount increases mainly related to increased in-house activities. Nokia Networks continues to invest in targeted growth areas, most notably LTE, small cells and Telco Cloud, while reducing investments in mature technologies.

Nokia Networks selling, general and administrative expenses were EUR 1 236 million in 2014, a decrease of EUR 74 million, or 6%, compared to EUR 1 310 million in 2013. The decrease was primarily attributable to structural cost savings from Nokia Networks global restructuring program. The decrease was partially offset by headcount increases related to an increased focus on growth.

Nokia Networks other income and expenses decreased in 2014 to an expense of EUR 104 million from an expense of EUR 582 million in 2013. In 2014, other income and expenses included restructuring and associated charges of EUR 57 million and anticipated contractual remediation costs of EUR 31 million. In 2013, other income and expenses included restructuring and associated charges of EUR 570 million.

Nokia Technologies

For the year ended December 31, 2015 compared to the year ended December 31, 2014

The following table sets forth selective line items and the percentage of net sales that they represent for the years indicated.

| For the year ended December 31 | 2015 EURm | % of net sales | 2014 EURm | % of net sales | Year-on-year change % |
|--|--------------|----------------|--------------|----------------|--------------------------|
| Net sales | 1 024 | 100.0 | 578 | 100.0 | 77 |
| Cost of sales | (7) | (0.7) | (8) | (1.4) | (13) |
| Gross profit | 1 017 | 99.3 | 570 | 98.6 | 78 |
| Research and development expenses | (199) | (19.4) | (161) | (27.9) | 24 |
| Selling, general and administrative expenses | (109) | (10.6) | (65) | (11.2) | 68 |
| Other income and expenses | 10 | 1.0 | (1) | (0.2) | - |
| Operating profit | 719 | 70.2 | 343 | 59.3 | 110 |

Net sales

Nokia Technologies net sales in 2015 were EUR 1 024 million, an increase of EUR 446 million, or 77%, compared to EUR 578 million in 2014. The increase in Nokia Technologies net sales was primarily attributable to two factors. Firstly, approximately 70% of the growth, or approximately EUR 310 million, of Nokia Technologies net sales in 2015 related to non-recurring net sales from existing and new agreements, and revenue share related to previously divested IPR and IPR divestments. Secondly, approximately 30% of the growth, or EUR 130 million, of Nokia Technologies net sales in 2015 related to higher IPR licensing income from existing and new licensees, related to settled and ongoing arbitrations, as well as Microsoft becoming a more significant intellectual property licensee following the Sale of the D&S Business. The increase in net sales was partially offset by lower licensing income from certain existing licensees that experienced decreases in handset sales.

Gross margin

Nokia Technologies gross margin in 2015 was 99.3%, compared to 98.6% in 2014. The increase in Nokia Technologies gross margin in 2015 was primarily attributable to higher net sales.

Operating profit

Nokia Networks operating profit was EUR 1 210 million in 2014, an increase of EUR 790 million compared to an operating profit of EUR 420 million in 2013. Nokia Networks operating margin in 2014 was 10.8% compared to 3.7% in 2013. The increase in operating profit was primarily attributable to an increase in operating profit in Mobile Broadband. The increase was partially offset by a decrease in operating profit in Global Services.

Mobile Broadband operating profit increased from EUR 420 million in 2013 to EUR 683 million in 2014. The increase in operating profit was attributable to higher gross profit.

Global Services operating profit decreased from EUR 693 million in 2013 to EUR 653 million in 2014. The decrease in operating profit was primarily attributable to lower gross profit. The decrease was partially offset by lower operating expenses.

In 2014, Nokia Networks recognized restructuring and associated charges of EUR 57 million related to the global restructuring program. At the end of 2014, the cumulative charges were approximately EUR 1 900 million and the cumulative restructuring-related cash outflows approximately EUR 1 550 million.

Operating expenses

Nokia Technologies R&D expenses in 2015 were EUR 199 million, an increase of EUR 38 million, or 24%, compared to EUR 161 million in 2014. The increase in R&D expenses was primarily attributable to higher investments in digital media and technology incubation, higher patent portfolio costs, and higher investments in digital health.

Nokia Technologies selling, general and administrative expenses in 2015 were EUR 109 million, an increase of EUR 44 million, or 68%, compared to EUR 65 million in 2014. The increase in selling, general and administrative expenses was primarily attributable to the ramp-up of new businesses, increased licensing activities, and higher business support costs.

Nokia Technologies other income and expense in 2015 was a net income of EUR 10 million, a change of EUR 11 million compared to a net expense of EUR 1 million in 2014.

Operating profit

Nokia Technologies operating profit in 2015 was EUR 719 million, an increase of EUR 376 million, or 110%, compared to an operating profit of EUR 343 million in 2014. The increase in operating profit was attributable to higher gross profit, partially offset by higher operating expenses. Nokia Technologies operating margin in 2015 was 70.2% compared to 59.3% in 2014.

For the year ended December 31, 2014 compared to the year ended December 31, 2013

The following table sets forth selective line items and the percentage of net sales that they represent for the years indicated.

| For the year ended December 31 | 2014 EURm | % of net sales | 2013 EURm | % of net sales | Year-on-year change % |
|--|--------------|----------------|--------------|----------------|--------------------------|
| Net sales | 578 | 100.0 | 529 | 100.0 | 9 |
| Cost of sales | (8) | (1.4) | (14) | (2.6) | (43) |
| Gross profit | 570 | 98.6 | 515 | 97.4 | 11 |
| Research and development expenses | (161) | (27.9) | (147) | (27.8) | 10 |
| Selling, general and administrative expenses | (65) | (11.2) | (56) | (10.6) | 16 |
| Other income and expenses | (1) | (0.2) | (2) | (0.4) | (50) |
| Operating profit | 343 | 59.3 | 310 | 58.6 | 11 |

Net sales

Nokia Technologies net sales in 2014 were EUR 578 million, an increase of EUR 49 million, or 9%, compared to EUR 529 million in 2013. The increase in Nokia Technologies net sales was primarily attributable to higher intellectual property licensing income from certain licensees, including Microsoft becoming a more significant intellectual property licensee in connection with the Sale of the D&S Business. The increase was partially offset by decreases in licensing income from certain other licensees that experienced lower levels of business activity, as well as lower levels of non-recurring IPR income compared to 2013.

Gross margin

Nokia Technologies gross margin in 2014 was 98.6%, compared to 97.4% in 2013. The increase in Nokia Technologies gross margin was primarily attributable to the absence of a one-time cost related to a patent divestment transaction which negatively affected gross margin in 2013.

Operating expenses

Nokia Technologies R&D expenses in 2014 were EUR 161 million, an increase of EUR 14 million, or 10%, compared to EUR 147 million in 2013. The increase in R&D expenses was primarily attributable to investments in business activities, such as building the technology and brand licensing units, which target new and significant long-term growth opportunities.

Nokia Technologies selling, general and administrative expenses in 2014 were EUR 65 million, an increase of EUR 9 million, or 16%, compared to EUR 56 million in 2013. The increase in selling, general and administrative expenses was primarily attributable to increased activities, such as building the technology and brand licensing units related to anticipated and ongoing patent licensing cases, as well as higher business support costs.

Nokia Technologies other income and expense in 2014 was a net expense of EUR 1 million, a decrease of EUR 1 million, compared to a net expense of EUR 2 million in 2013.

Operating profit

Nokia Technologies operating profit in 2014 was EUR 343 million, an increase of EUR 33 million, or 11%, compared to an operating profit of EUR 310 million in 2013. The increase in operating profit was primarily attributable to an increase in gross profit. The increase was partially offset by higher operating expenses. Nokia Technologies operating margin in 2014 was 59.3% compared to 58.6% in 2013.

Group Common Functions

For the year ended December 31, 2015 compared to the year ended December 31, 2014

Group Common Functions operating loss in 2015 was EUR 127 million, a decrease of EUR 15 million, or 11%, compared to an operating loss of EUR 142 million in 2014. The decrease in Group Common Functions operating loss was primarily attributable to change in other income and expense, partially offset by an increase in selling, general and administrative expenses. Other income and expense in 2015 included net income of approximately EUR 100 million related to investments made through unlisted venture funds, a significant portion of which resulted from Nokia Growth Partners selling its holdings in Ganji.com to 58.com for a combination of cash and shares. The increase in selling, general and administrative expenses was primarily attributable to transaction and other related costs. In 2015, Group Common Functions included transaction-related costs of EUR 99 million compared to EUR 25 million in 2014.

For the year ended December 31, 2014 compared to the year ended December 31, 2013

Group Common Functions operating loss in 2014 was EUR 142 million, an increase of EUR 85 million, or 149%, compared to an operating loss of EUR 57 million in 2013. The increase in operating loss was primarily attributable to the absence of a distribution from an unlisted venture fund-related to the disposal of the fund's investment in Waze Ltd of EUR 59 million that benefited Group Common Functions in 2013. In 2014, Group Common Functions included transaction-related costs of EUR 25 million. In 2013, Group Common Functions included restructuring charges and associated impairments of EUR 10 million, as well as transaction-related costs of EUR 18 million related to the Sale of the D&S Business.

Liquidity and capital resources

Financial position

At December 31, 2015, our total cash and other liquid assets (defined as cash and cash equivalents; available-for-sale investments, liquid assets; and investments at fair value through profit and loss, liquid assets) equaled EUR 9 849 million, an increase of EUR 2 134 million, compared to EUR 7 715 million at December 31, 2014. The increase was primarily attributable to drivers affecting our net cash as described below. At December 31, 2013, our total cash and other liquid assets equaled EUR 8 971 million.

At December 31, 2015, our net cash and other liquid assets (defined as total cash and other liquid assets less long-term interest-bearing liabilities and short-term borrowings) equaled EUR 7 775 million, an increase of EUR 2 752 million, compared to EUR 5 023 million at December 31, 2014. The increase was primarily attributable to cash proceeds of EUR 2 536 million from the Sale of the HERE Business, net cash flow of EUR 507 million from operating activities, as well as an increase in net cash resulting from the conversion of the Nokia EUR 750 million convertible bond into shares. This increase was partially offset by costs associated with our capital structure optimization program, which included the payment of a dividend of EUR 512 million, as well as the repurchase of shares of EUR 173 million. Our net cash and other liquid assets was also adversely impacted by cash outflows related to acquisitions of EUR 98 million and capital expenditures of EUR 314 million. At December 31, 2013, our net cash and other liquid assets equaled EUR 2 309 million.

At December 31, 2015, our cash and cash equivalents equaled EUR 6 995 million, an increase of EUR 1 825 million, compared to EUR 5 170 million at December 31, 2014. Our cash and cash equivalents equaled EUR 7 633 million at December 31, 2013.

Cash flow

In 2015, our cash flow from operating activities equaled EUR 507 million, a decrease of EUR 768 million, as compared to EUR 1 275 million in 2014. The decrease was primarily attributable to EUR 998 million cash being tied up in net working capital in 2015 as compared to EUR 1 153 million cash release in 2014, partly offset by an increase in net profit, adjusted for non-cash items of EUR 993 million. The primary drivers for the increase in net working capital were higher accounts receivables, mainly relating to the Samsung patent license receivables and lower accounts payable.

In 2015, we had cash outflows of EUR 702 million related to net financial income and expenses and income taxes, a decrease of EUR 390 million, as compared to EUR 1 092 million in 2014. The decrease was primarily attributable to lower net income taxes paid. Paid taxes in 2014 included approximately EUR 300 million cash outflows relating to Discontinued operations.

In 2014, our cash flow from operating activities equaled EUR 1 275 million, an increase of EUR 1 203 million, as compared to EUR 72 million in 2013. The increase was primarily attributable to EUR 1 214 million net profit, adjusted for non-cash items and a EUR 1 153 million cash release from net working capital. The primary driver for the cash release from net working capital was a EUR 1 650 million cash inflow relating to the upfront payment on a ten-year patent license agreement and related option to extend the license in perpetuity with Microsoft, partially offset by approximately EUR 320 million restructuring-related cash outflows in Continuing operations and approximately EUR 210 million net working capital-related cash outflows in Discontinued operations.

In 2014, we had cash outflows of EUR 1 092 million related to net financial income and expenses and income taxes, an increase of EUR 935 million, as compared to EUR 157 million in 2013. The increase was primarily attributable to the early redemption of Nokia Networks' borrowings of approximately EUR 84 million, foreign exchange hedging of approximately EUR 180 million and income taxes of EUR 636 million, of which approximately EUR 300 million were cash outflows relating to discontinued operations.

In 2015, our cash flow from investing activities equaled EUR 1 896 million, an increase of EUR 1 010 million, as compared to EUR 886 million cash received from investing activities in 2014. Cash inflow from investing activities was primarily driven by gross proceeds attributable to the Sale of the HERE Business of approximately EUR 2 540 million, and the increase in proceeds from maturities and sale of current available-for-sale investments, liquid assets. The increase was partially offset by an increase in purchases of current available-for-sale investments, liquid assets, purchases of investments at fair value through profit and loss, liquid assets and cash outflows related to capital expenditure of EUR 314 million and acquisitions of EUR 98 million.

In 2015, our capital expenditure equaled EUR 314 million, an increase of EUR 3 million, as compared to EUR 311 million in 2014. Major items of capital expenditure in 2015 included investments in production lines, test equipment and computer hardware used primarily in R&D, office and manufacturing facilities as well as services and software related intangible assets.

In 2014, our cash flow from investing activities equaled EUR 886 million, an increase of EUR 1 577 million, as compared to EUR 691 million cash used in investing activities in 2013. Cash inflows from investing activities was primarily driven by gross proceeds attributable to the Sale of the D&S Business of approximately EUR 4 010 million, which included the proceeds used to repay the convertible bonds issued to Microsoft and the increase in proceeds from maturities and sale of current available-for-sale investments, liquid assets. The increase was offset by an increase in purchases of current available-for-sale investments, liquid assets. Cash inflows from investing activities also benefited EUR 44 million from the sale of property, plant and equipment. The increase was partially offset by cash outflows related to capital expenditure of EUR 311 million and acquisitions of EUR 175 million.

In 2014, our capital expenditure equaled EUR 311 million, a decrease of EUR 96 million, as compared to EUR 407 million in 2013. Major items of capital expenditure in 2014 included investments in production lines, test equipment and computer hardware used primarily in R&D, office and manufacturing facilities as well as services and software-related intangible assets.

In 2015, our cash flow used in financing activities equaled EUR 584 million, a decrease of EUR 3 992 million, as compared to EUR 4 576 million in 2014. Cash outflows from financing activities were primarily attributable to the payment of EUR 0.14 per share in dividends equaling EUR 507 and EUR 173 million in cash outflows relating to share repurchases. Cash outflows from financing activities also included payments to non-controlling interest holders to acquire subsidiary shares and pay dividends equaling EUR 57 million.

In 2014, our cash flow used in financing activities equaled EUR 4 576 million, an increase of EUR 4 099 million, as compared to EUR 477 million in 2013. Cash outflows from financing activities were primarily attributable to the repayment of EUR 2 791 million in interest-bearing liabilities, payment of EUR 0.11 per share in dividends equaling EUR 408 million and EUR 0.26 per share in special dividends equaling EUR 966 million, as well as EUR 427 million in cash outflows relating to share repurchases. We also acquired subsidiary shares from a non-controlling interest holder and paid dividends to non-controlling interest holders in 2014 equaling approximately EUR 60 million.

Financial assets and debt

At December 31, 2015 our net cash and other liquid assets equaled EUR 7 775 million and consisted of EUR 9 849 million in total cash and other liquid assets and EUR 2 074 million of long-term interest-bearing liabilities and short-term borrowings.

We hold our cash and other liquid assets predominantly in euro. Our liquid assets are mainly invested in high-quality money market and fixed income instruments with strict maturity limits. We also have a EUR 1 500 million undrawn revolving credit facility available for liquidity purposes.

Our interest-bearing liabilities consisted of a EUR 500 million bond due in 2019, a USD 1 000 million bond due in 2019, a USD 500 million bond due in 2039 and EUR 196 million of other liabilities. Refer to Note 35, Risk management, of our consolidated financial statements included in this annual report for further information regarding our interest-bearing liabilities.

In 2015, we exercised our option to redeem our EUR 750 million convertible bonds due in 2017. The redemption led to materially all convertible bonds being converted into Nokia shares. Additionally, we refinanced our undrawn EUR 1 500 million revolving credit facility maturing in March 2016 with a new similar size facility maturing in June 2018. The new facility has two one-year extension options, no financial covenants and it remains undrawn. We believe with EUR 9 849 million cash and other liquid assets, as well as a EUR 1 500 million revolving credit facility, we have sufficient funds available to satisfy our future working capital needs, capital expenditure, R&D, acquisitions and debt service requirements at least through 2016. We also believe that with our current credit ratings of BB+ by Standard & Poor's and Ba2 by Moody's, we have access to the capital markets should any funding needs arise in 2016. Nokia aims to re-establish its investment grade credit rating.

Off-balance sheet arrangements

There are no material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Capital structure optimization program

In 2015, we announced plans for a two-year, EUR 7 billion program to optimize the efficiency of our capital structure. The program was subject to the closing of the Alcatel Lucent and HERE transactions, as well as the conversion of all Nokia and Alcatel Lucent convertible bonds. This comprehensive capital structure optimization program focuses on shareholder distributions and de-leveraging, while maintaining our financial strength.

The program consists of the following components:

- Shareholder distributions of approximately EUR 4 billion, calculated assuming ownership of all outstanding shares of Alcatel Lucent and conversion of all Nokia and Alcatel Lucent convertible bonds:
 - Planned ordinary dividend payments, as follows:
 - A planned ordinary dividend for 2015 of at least EUR 0.15 per share, subject to shareholder approval in 2016; and
 - A planned ordinary dividend for 2016 of at least EUR 0.15 per share, subject to shareholder approval in 2017;
 - A planned special dividend of EUR 0.10 per share, subject to shareholder approval in 2016; and
 - A planned two-year, EUR 1.5 billion share repurchase program, subject to shareholder approval in 2016.
- De-leveraging of approximately EUR 3 billion:
 - Planned reduction of interest-bearing liabilities of the combined company by approximately EUR 2 billion; and
 - Planned reduction of debt-like items of the combined company by approximately EUR 1 billion in 2016.

Refer to “—Dividend” below for the Board of Director's dividend proposal for 2015.

In January 2016, as part of the capital structure optimization program, Alcatel Lucent S.A., a company controlled by us, repaid its EUR 190 million 8.50% senior notes. In February, 2016, Alcatel Lucent USA Inc., a subsidiary of Alcatel Lucent S.A., redeemed its USD 650 million 4.625% notes due July 2017, USD 500 million 8.875% notes due January 2020 and USD 700 million 6.750% notes due November 2020 in accordance with their respective terms and conditions. In February 2016, Alcatel Lucent S.A. terminated its EUR 504 million revolving credit facility.

Liquidity and capital resources continued

Structured finance

Structured finance includes customer financing and other third-party financing. Network operators occasionally require their suppliers, including us, to arrange, facilitate or provide long-term financing as a condition for obtaining infrastructure projects.

At December 31, 2015, our total customer financing, outstanding and committed equaled EUR 213 million, an increase of EUR 57 million, as compared to EUR 156 million in 2014. At December 31, 2013, our total customer financing, outstanding and committed, equaled EUR 64 million. Customer financing primarily consisted of financing commitments to network operators.

Refer to Note 35, Risk management, of our consolidated financial statements included in this annual report for further information relating to our committed and outstanding customer financing.

We expect our customer financing commitments to be financed mainly from cash and other liquid assets and through cash flow from operations.

At December 31, 2015, guarantees of our performance consisted of EUR 400 million of guarantees that are provided to certain Nokia Networks customers in the form of bank guarantees or corporate guarantees issued by Nokia Networks. These instruments entitle the customer to claim payments as compensation for non-performance by Nokia Networks of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is either payable on demand, or is subject to verification of non-performance.

Financial guarantees and securities pledged that we may give on behalf of customers, represent guarantees relating to payment by certain Nokia Networks customers and other third parties under specified loan facilities between such customers or other third parties and their creditors. Our obligations under such guarantees are released upon the earlier of expiration of the guarantee or early payment by the customer or other third party.

Refer to Note 30, Commitments and contingencies, of our consolidated financial statements included in this annual report for further information regarding commitments and contingencies.

Venture fund investments and commitments

We make financing commitments to a number of unlisted venture funds that make technology-related investments. The majority of the investments are managed by Nokia Growth Partners that specializes in growth-stage investing, seeking companies that are changing the face of mobility and connectivity.

At December 31, 2015, our unlisted venture fund investments equaled EUR 953 million, as compared to EUR 778 million at December 31, 2014. Refer to Note 19, Fair value of financial instruments, of our consolidated financial statements included in this annual report for further information regarding fair value of our unlisted venture fund investments.

At December 31, 2015, our venture fund commitments equaled EUR 230 million, as compared to EUR 274 million at December 31, 2014. As a limited partner in venture funds, we are committed to capital contributions and entitled to cash distributions according to the respective partnership agreements and underlying fund activities. Refer to Note 30, Commitments and contingencies, of our consolidated financial statements included in this annual report for further information regarding commitments and contingencies.

Material subsequent events

“On February 10, 2016, the results of our reopened public exchange offer for all outstanding Alcatel Lucent securities were announced. The reopened offer period resulted in us holding 90.34% of the share capital of Alcatel Lucent.”

After December 31, 2015, the following material events have taken place.

- On January 4, 2016, the results of our public exchange offer for all outstanding Alcatel Lucent securities were announced. We made an offer for all Alcatel Lucent securities in France and in the United States from November 18, 2015 until December 23, 2015 and the offer resulted in us holding 76.31% of the share capital and at least 76.01% of the voting rights of Alcatel Lucent, 89.14% of the OCEANEs 2018 outstanding, 24.34% of the OCEANEs 2019 outstanding, and 15.11% of the OCEANEs 2020 outstanding. This equated to us holding 70.52% of the Alcatel Lucent share capital on a fully diluted basis. Consequently, on January 6, 2016 Nokia issued 1 455 678 563 new shares in deviation from shareholders' pre-emptive right to subscription based on an authorization by the Extraordinary General Meeting held on December 2, 2015 in exchange for the Alcatel Lucent securities. The registration of the shares and the settlement of the offer took place on January 7, 2016.
 - On January 14, 2016, we announced that we had reopened our public exchange offer in France and in the United States for all outstanding Alcatel Lucent securities in accordance with French law until February 3, 2016, which provided an opportunity for holders of Alcatel Lucent securities who did not tender into the initial exchange offer to participate in the reopened offer and exchange their securities for shares or American Depositary Shares (“ADSs”) in Nokia. On February 10, 2016, the results of our reopened public exchange offer for all Alcatel Lucent securities were announced.
- The reopened offer period resulted in us holding 90.34% of the share capital and at least 90.25% of the voting rights of Alcatel Lucent, 99.62% of the OCEANEs 2018, 37.18% of the OCEANEs 2019 and 68.17% of the OCEANEs 2020. This equated to us holding 87.33% of the share capital of Alcatel Lucent on a fully diluted basis. Consequently, we issued 320 701 193 new shares in deviation from shareholders' pre-emptive right to subscription based on an authorization by the Extraordinary General Meeting held on December 2, 2015 in exchange for the Alcatel Lucent securities. The registration of the shares and the settlement of the reopened offer took place on February 12, 2016.
- On February 1, 2016, we announced that we had received the decision in the patent licensing arbitration between Nokia and Samsung. The award covers five years from January 1, 2014 until December 31, 2018. The outcome of the arbitration was reflected in the 2015 financial statements as far as it relates to the years presented.
 - On February 21, 2016, Nokia Growth Partners (NGP) announced the closing of a new USD 350 million fund for investments in IoT companies. The fund is sponsored by Nokia and will serve to identify new opportunities to grow the ecosystem in IoT solutions. The fund IV commitment brings NGP's total assets under management to over USD 1 billion, including USD 500 million available for new investments.

Sustainability and corporate responsibility at Nokia

At Nokia, we want to be proud of what we achieve and how we achieve it. We run our business in line with internationally recognized ethical and responsible business practices, and we work hard to create value for people and our planet.

To ensure our activities support sustainable development, our performance reflects the following principles: Improving people's lives with technology, respecting people in everything we do, protecting the environment and making change happen together.

Improving people's lives with technology

Our biggest contribution to sustainable development comes through our core business—from offering network infrastructure and advanced technology for our customers around the world.

Our radio networks customers serve approximately 5 billion subscriptions worldwide. This provides tremendous opportunities: For instance, through connectivity, people gain improved access to information and education—also in developing and remote areas. These increases in productivity and economic growth are essential for lifting people out of poverty. Telecommunications technologies can also spearhead communications connectivity in real time to reduce the risk from natural disasters, thereby ensuring that communities are safe. In 2015, we worked with Save the Children to increase the resilience of villages in India. We also cooperated with Plan International to improve school governance in Uganda using technology and community media and we supported Plan International in increasing children's literacy skills in Kenya through providing information and communications technology infrastructure to schools.

Our networks and technology also play a crucial part in connecting things as well as people. In the future, we expect that connected devices will converge into intelligent and programmable systems that will have the potential to improve lives in a vast number of ways including more sustainable use of scarce resources and more effective healthcare.

Our industry plays a major role in reaching many of the sustainable development goals agreed by the United Nations in 2015. It also plays a fundamental role in the improvement of education, the progress on gender equality and the battle against climate change. For example, according to Global e-Sustainability Initiative's SMARTer2030 report, information and communications technology has the potential to enable a 20% reduction in global CO_{2e} emissions by 2030, maintaining emissions at 2015 levels. Our main focus and effort in this area is concentrated on energy efficiency of networks and creating base station site offerings that enhance the use of renewable energy. In order to support gender equality, we are enhancing access to education and promoting technical literacy and confidence through our corporate social responsibility programs.

Percentage of employees who completed the 2015 Ethical Business Training

~98%

Savings from reduced sick leaves in Finland in 2015

€2.5m+

Respecting people in everything we do

The Nokia Code of Conduct details our high ethical standards and our commitment to ensuring that our technologies are not used to infringe human rights. Additionally, the Nokia Human Rights Policy reinforces this commitment, through our human rights due diligence, which aims to mitigate the potential misuse of our products. In 2015, Save the Children reviewed our relevant processes and policies from a children's rights perspective. The review also included guidelines and processes related to mitigating the risk of having child labor in our supply chain. Based on their recommendations we implemented certain changes to these processes during the year and renewed the Nokia Child Labor Remediation Guideline, which is overall guidance on how to care for children in the event a child labor case is confirmed.

To ensure that all our employees understand and adhere to the Nokia Code of Conduct, we require that all our employees complete an Ethical Business training annually. In 2015, approximately 98% of our employees completed this training. We also require our employees and encourage other stakeholders to report any ethical misconduct, which can be done anonymously. In 2015, our Ethics & Compliance office received a total of 225 enquiries and concerns, out of which 124 alleged violations of our Code of Conduct were investigated. As a result of these investigations and previously initiated investigations we undertook corrective actions, including 62 dismissals, 18 written warnings and 32 verbal counsellings.



Zero CO₂ emission base station

Our Zero CO₂ emission base station site offering can reduce an operator's total cost of ownership for a base station by up to 30%.

The Nokia Code of Conduct also sets the standard for labor conditions and our comprehensive human resources policies and promotes fair employment. Good health and safety performance is a particular focus for us because we operate in some challenging environments. To address this, we run programs to improve our health and safety performance, and encourage open reporting of incidents and near misses by contractors and employees. In our supply chain, trained Nokia assessors conduct in-depth audits of suppliers on labor conditions. We prefer using internal assessors as we believe it's important for us to see the factories or facilities ourselves. This makes it easier to understand possible challenges and further enables us to work directly with suppliers to drive improvements.

To ensure our employees feel valued, motivated and inspired to reach their full potential, we provide development and training opportunities, competitive reward packages, equal opportunities and flexible working. On average, our employees used approximately 37 hours for training in 2015. Additionally, 73% of our employees had a personal development plan in place.

To improve our understanding of the markets where we operate, and to provide a more inspiring workplace, we believe it is important to employ a diverse range of people from all backgrounds, experiences, levels of education, genders, ages and nationalities. In 2015, we employed approximately 143 different nationalities. Approximately 12% of senior management positions were held by women. The average age of our employees in 2015 was approximately 38 years.

Employee engagement is needed to achieve long-term success and is therefore an integral part of our culture. Each year, we run an employee engagement survey administered across the Group. In 2015, our annual employee engagement survey scored 87% favorable, which indicates a high level of engagement across Nokia. We also believe that organizing activities such as sports events, mindfulness exercises and change coaching increases wellbeing of our employees, and helps us get the very best of them. Improvements in employee wellbeing and health can also translate into cost savings for the Group. In Finland alone, reduced sick leaves resulted in over EUR 2.5 million of savings in 2015 as compared to the previous year.

Protecting the environment

Our products inevitably affect the environment because producing, distributing and operating these require energy and other resources.

Reducing energy consumption of our products is a priority for us, as the major environmental impact of base stations comes from electricity consumption in the use phase. Therefore, we feel that it is essential that we support our customers in maintaining energy consumption at a sustainable level. We also help our customers support circular economies and we promote the use of renewable energy.

In 2015, we launched the Zero CO₂ emission base station site offering, which includes more than 20 products and services for our Single RAN Advanced portfolio. The offering helps achieve reductions up to 70% in a base station site's energy consumption, creating a significant driver for modernizing base station sites. With the significantly lower energy consumption, the use of solar, wind and fuel cell renewable energy sources become a viable option for powering a base station site, making it possible to achieve even zero CO₂ emissions. Zero CO₂ emission base station sites can now be built for all electricity grids—from good grid to no grid. The solution can also reduce an operator's total cost of ownership for a base station site by up to 30%.

Sustainability and corporate responsibility at Nokia continued

To support circular economies, we continued offering our customers an asset recovery service, which covers Nokia Networks' products as well as other vendors' telecommunications equipment. Our customers can purchase a complete service from the collection and buyback or trade-in of pre-owned equipment to e-waste recycling and reporting, depending on their needs and requirements. In 2015, we sent around 1 600 metric tons of old telecommunications equipment for materials recovery and we refurbished approximately 24 100 units.

In our own business operations, we maintained certification to the international environmental management standard ISO 14001 for Nokia Networks. This means our environmental performance is audited regularly by external auditors and the audits cover processes, business activities, organizational units and regions.

Additionally, we continued improving energy efficiency, purchasing certified renewable energy from the grid and avoiding waste. In 2015, our overall energy consumption decreased by approximately 7% compared to previous year and as a result, our greenhouse gas emissions from offices and factories decreased by approximately 12%, including our renewable energy purchases.

We continued encouraging key suppliers to report their climate impacts and set carbon reduction targets through the CDP (formerly the Carbon Disclosure Project) Supply Chain Program, which helps us to plan improvement programs with our suppliers and improve reporting of our scope 3 emissions. In 2015, 180 of our key suppliers responded to the CDP's request to disclose information regarding their climate performance and 92 disclosed emission reduction targets. Environmental management is also part of our supplier in-depth audits.

Making change happen together

By partnering with others, we can make an even greater contribution to a more sustainable and socially responsible world. We drive improvements by working together with suppliers, non-governmental organizations ("NGOs") and industry peers.

Driving improvements with suppliers

We require all of our suppliers to meet the high ethical, labor and environmental requirements set out in our supplier requirement standards before contracting them. We ensure compliance through regular and robust assessments, and work with suppliers to improve performance where needed. Our in-depth audits of suppliers' labor conditions and environmental management include document reviews, interviews with managers and employees, site visits, and inspections of facilities, production lines and warehouses. In 2015, we conducted 195 audits, of which 16 constituted in-depth audits of labor conditions and environmental management, 24 were audits against our supplier requirements, and 155 suppliers were audited using the EcoVadis scorecards. Additionally, we run training workshops for suppliers operating in high-risk countries. In 2015, we organized online training on climate change, conflict minerals and corporate responsibility, and we arranged face-to-face training workshops for 42 suppliers.

We also continued our efforts to ensure our products are conflict-free. In 2015, 83% of the smelters used in our supply chain were validated as conflict-free or were in a validation process at the time. As of 2014, we have published a separate conflict minerals report which provides further information on our due diligence activities in this area. These reports are available at <http://company.nokia.com/en/sustainability/downloads>.

Partnering with NGOs

Through our corporate social responsibility programs, we work with NGOs to improve people's lives around the world. In 2015, our cooperation focused on promoting children's rights, empowering young people and supporting those affected by drought and natural disasters. Our global partners continued to be Plan International, Save the Children and Oxfam. Additionally, we kicked off the WWF Green Office program at our headquarters and started cooperation with the Finnish Children and Youth Foundation to strengthen young people's faith in the future.

In addition to our regular cooperation with NGOs, we made several donations during 2015. These include donations to various smaller charities through Global Giving and Plan where we targeted our support to projects that seek to realize human rights for all, to achieve gender equality and to mitigate the risk of being left behind in the rapidly evolving digital revolution. We also donated to Oxfam, in order to support Oxfam in its efforts in Syria, Jordan and Lebanon to provide life-saving aid to the people fleeing Syria. Together with Elisa, a Finnish operator, we announced our plan to donate a mobile network providing complete indoor coverage for the new Children's Hospital in Helsinki, Finland, which is expected to be completed in 2017.

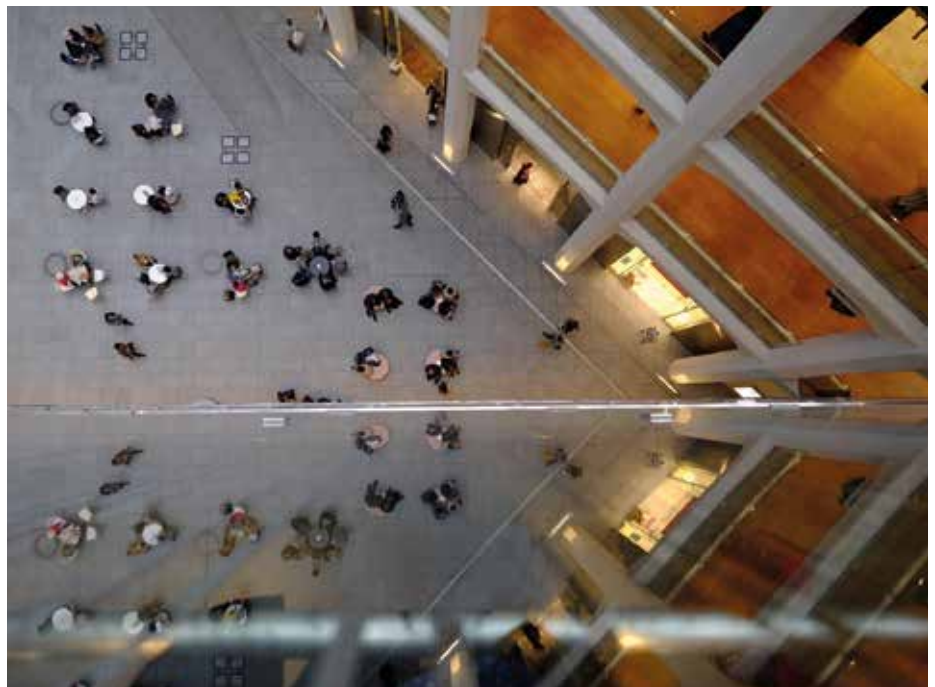
Cooperating with others in our industry

We regularly contribute to working groups and committees of various industry organizations that promote sustainability goals. In 2015, we were a member of United Nations Global Compact, Global e-Sustainability Initiative, CDP supply chain program, The Telecommunications Industry Dialogue, Climate Leadership Council, Digital Europe, Conflict-Free Sourcing Initiative and several standardization and university cooperation groups.

Reporting on our performance

We provide detailed reports on our progress and performance in sustainability and corporate responsibility matters annually, and for over a decade our reports have been available online. In our reports, we describe how we define the most material sustainability topics at Nokia, which have also been discussed in this section. To find out more about our activities around sustainability and corporate responsibility, go to www.nokia.com/people&planet.

Our efforts for sustainable development are also evaluated by a number of external parties. For instance, CDP gave us a top score for our performance and disclosure of climate change data, and kept us in the CDP A-list, as well as in the Nordic Climate Disclosure Leadership Index for 2015. Our economic, environmental and social responsibility was recognized when we were selected to be an index component of the Dow Jones Sustainability Indices. We also reconfirmed our position in the Ethibel Sustainability Index and FTSE4GOOD, and were included in the Corporate Knight's Global 100 Most Sustainable Corporations list.



Employees

The average number of employees in Continuing operations in 2015 was 56 690 (51 499 in 2014 and 53 436 in 2013). At December 31, 2015, Continuing operations had a total of 55 718 employees (55 399 employees on December 31, 2014 and 49 503 employees on December 31, 2013). The total amount of salaries and wages paid in Continuing operations in 2015 was EUR 3 075 million (EUR 2 797 million in 2014 and EUR 3 030 million in 2013). Refer to Note 7, Personnel expenses, in our consolidated financial statements of this annual report.

The table below shows the average number of employees in 2015 divided according to their business and geographical location:

| Business | Average number of employees |
|--------------------------|-----------------------------|
| Nokia Networks | 55 509 |
| Nokia Technologies | 596 |
| Group Common Functions | 585 |
| Total | 56 690 |
| Region | Average number of employees |
| Finland | 6 942 |
| Other European countries | 15 382 |
| Middle East & Africa | 2 321 |
| China | 9 182 |
| Asia-Pacific | 16 569 |
| North America | 3 813 |
| Latin America | 2 481 |
| Total | 56 690 |

Shares and share capital

Nokia has one class of shares. Each Nokia share entitles the holder to one vote at general meetings of Nokia.

On December 31, 2015, the total number of Nokia shares was 3 992 863 716 and our share capital equaled EUR 245 896 461.96. On December 31, 2015, Nokia and its subsidiary companies owned a total of 53 668 695 Nokia shares, representing approximately 1.3% of the total number of the shares and voting rights of the company.

On February 4, 2015, we cancelled 66 903 682 shares.

In 2015, under the authorization held by the Board and in line with the capital structure optimization program announced in 2014, Nokia repurchased a total of 24 516 089 shares, representing approximately 0.6% of the total number of shares and voting rights on December 31, 2015. The price paid for the shares was based on the current market price of the Nokia share on the securities market at the time of the repurchase.

On February 12, 2016, following the settlements of the initial and reopened public exchange offers for all outstanding Alcatel Lucent securities, the total number of Nokia shares was 5 769 443 837 shares.

Information on the authorizations held by the Board in 2015 to issue shares and special rights entitling to shares, transfer shares and repurchase own shares, as well as information on related party transactions, the shareholders, stock options, shareholders' equity per share, dividend yield, price per earnings ratio, share prices, market capitalization, share turnover and average number of shares is available in the "Corporate Governance—Compensation", "Financial Statements" and "General facts on Nokia—Shares and shareholders" sections.

Refer to Note 24, Shares of the Parent Company, of our consolidated financial statements included in this annual report for further information regarding Nokia shares.

Board of Directors and Management

Pursuant to the Articles of Association of Nokia Corporation, we have a Board of Directors (the “Board”) composed of a minimum of seven and a maximum of 12 members. The Board is elected at least annually at the Annual General Meeting of the shareholders for a term ending at the end of the next Annual General Meeting, which convenes annually by June 30.

The Board has the responsibility for appointing and discharging the President and CEO, Chief Financial Officer and other members of the Group Leadership Team.

For information on Nokia’s Articles of Association, refer to “General facts on Nokia—Memorandum and Articles of Association”. For information on remuneration, shares and stock options held by the members of the Board, the President and CEO and the other members of the Group Leadership Team, refer to “Corporate Governance—Compensation”. For more information regarding corporate governance at Nokia, refer to “Corporate Governance—Corporate Governance Statement” or to our website at company.nokia.com/en/about-us/corporate-governance.



Dividend

The Board proposes an ordinary dividend of EUR 0.16 per share for 2015. Additionally, the Board proposes a special dividend of EUR 0.10 per share.

The proposed dividend is in line with our distribution policy.

We distribute retained earnings, if any, within the limits set by the Finnish Companies Act (as defined below). We make and calculate the distribution, if any, either in the form of cash dividends, share buy-backs, or in some other form or a combination of these. There is no specific formula by which the amount of a distribution is determined, although some limits set by law are discussed below. The timing and amount of future distributions of retained earnings, if any, will depend on our future results and financial conditions.

Under the Finnish Companies Act, we may distribute retained earnings on our shares only upon a shareholders' resolution and subject to limited exceptions in the amount proposed by the Board. The amount of any distribution is limited to the amount of distributable earnings of the parent company pursuant to the last accounts approved by our shareholders, taking into account the material changes in the financial situation of the company after the end of the last financial period and a statutory requirement that the distribution of earnings must not result in insolvency of the company. Subject to exceptions relating to the right of minority shareholders to request a certain minimum distribution, the distribution may not exceed the amount proposed by the Board.



Nokia's outlook

| | Metric | Guidance | Commentary |
|-------|-----------------------------------|--|---|
| Nokia | Annual operating cost synergies | Approximately EUR 900 million of net operating cost synergies to be achieved in full year 2018 | <p>Compared to the combined operating costs of Nokia and Alcatel Lucent for full year 2015, excluding special items and purchase price accounting related items.</p> <p>Expected to be derived from a wide range of initiatives related to operating expenses and cost of sales, including:</p> <ul style="list-style-type: none"> ■ Streamlining of overlapping products and services, particularly within the Mobile Networks business group; ■ Rationalization of regional and sales organizations; ■ Rationalization of overhead, particularly within manufacturing, supply-chain, real estate and information technology; ■ Reduction of central function and public company costs; and ■ Procurement efficiencies, given the combined company's expanded purchasing power. |
| | Annual interest expense reduction | Approximately EUR 200 million of reductions in interest expenses to be achieved on a full year basis in 2016 | Compared to the cost of debt run rate for the combined company of Nokia and Alcatel Lucent at year end 2014. |

Due to the very recent acquisition of Alcatel Lucent, Nokia believes it is not appropriate to provide an annual outlook for the new combined Networks business at the time of publishing this annual report. Nokia intends to provide its full year outlook in conjunction with its Q1/2016 results announcement.

Risk factors

Set forth below is a description of risk factors that could affect us. Shareholders and potential investors should carefully review the following risk factors, in addition to other information contained in this annual report. However, there may be additional risks that are unknown to us and other risks currently believed to be immaterial that could turn out to be material.

These risks, either individually or together, could adversely affect for instance our business, sales, profitability, results of operations, financial condition, competitiveness, costs, expenses, liquidity, market share, brand, reputation and share price from time to time. Unless otherwise indicated or the context otherwise requires, references in these risk factors to “Nokia”, the “Nokia Group”, “Group”, “we”, “us” and “our” mean Nokia’s consolidated operating segments, including Alcatel Lucent. Certain risks or events as indicated may be more prevalent with respect to Nokia or a certain business group, business or part of the Group.

Additional risks and uncertainties not presently known to us, or that are currently believed to be immaterial, could impair our business or the value of an investment made in it. This annual report also contains forward-looking statements that involve risks and uncertainties presented in “Forward-looking statements” below.

- Our strategy is subject to various risks and uncertainties, including that we may be unable to successfully implement our strategic plans, sustain or improve the operational and financial performance of our business groups, correctly identify or successfully pursue business opportunities or otherwise grow our business.
- We may be unable to realize the anticipated benefits from the acquisition of Alcatel Lucent or implement our organizational and operational structure efficiently or within the timeframe currently anticipated, including successfully implementing our business plans, successfully integrating Alcatel Lucent’s business or achieving the targeted synergies and other efficiencies.
- Our failure to promptly complete the purchases of the remaining outstanding Alcatel Lucent securities could adversely affect the market value of our shares and ADSs, and we may be unable to fully realize the anticipated benefits of the public exchange offer for all outstanding Alcatel Lucent securities.
- We may be materially and adversely affected by general economic and market conditions and other developments in the economies where we operate.
- We are dependent on the development of the industries in which we operate, including the information technology and communications industries and related services market. The telecommunications industry is cyclical and is affected by many factors, including the general economic environment, purchase behavior, deployment, roll-out timing and spending by service providers, consumers and businesses.
- We conduct our business globally, exposing us to political and other regional developments, including in emerging market countries, which may have a higher degree of regulatory or political risk, including unfavorable or unpredictable treatment in relation to tax matters, exchange controls, and other restrictions.
- We face intense competition and may fail to effectively and profitably invest in new competitive high-quality products, services, upgrades and technologies or bring them to market in a timely manner.
- We are dependent on a limited number of customers and large multi-year agreements. Accordingly, a loss of a single customer, operator consolidation or issues related to a single agreement may have a material adverse effect on our business.
- The Nokia Technologies business group’s patent licensing income and other intellectual property-related revenues are subject to risks and uncertainties such as our ability to maintain our existing sources of intellectual property-related revenue or establish new sources for revenue. A proportionally significant share of the current patent licensing income is generated from the smartphone market which has proven to be rather dynamic and features a limited number of large vendors.
- Our products, services and business models depend on IPR technologies that we have developed as well as technologies that are licensed to us by certain third parties. As a result, evaluating the rights related to the technologies we use or intend to use is increasingly challenging, and we expect to continue to face claims that we have allegedly infringed third parties’ IPR. The use of these technologies may also result in increased licensing costs for us, restrictions on our ability to use certain technologies in our products and/or costly and time consuming litigation.
- Our business is subject to direct and indirect regulation. As a result, changes in various types of regulations or their application, as well as economic and trade policies applicable to current or new technologies or products, may adversely affect our business and results of operations. Our governance, internal controls and compliance processes could also fail to prevent regulatory penalties, both at operating subsidiaries and in joint ventures.

- Our business model relies on solutions for distribution of services and software or data storage, which entail inherent risks relating to applicable regulatory regimes, cybersecurity breaches and other unauthorized access to network data or other potential security risks that may adversely affect our business.
- Our Nokia Technologies business group aims to generate net sales and profitability through licensing of the Nokia brand, the development and sales of products and services in the areas of virtual reality, digital media and digital health, as well as other business ventures including technology innovation and incubation, which may not materialize as planned or at all.
- We are subject to various legislative frameworks and jurisdictions that regulate fraud as well as economic and trade sanctions and policies, and as such, the extent and outcome of possible proceedings is difficult to estimate with any certainty. Our subsidiary Alcatel Lucent has been, and continues to be, involved in investigations concerning alleged violations of anti-corruption laws, and has been, and could again be, subject to material fines, penalties and other sanctions as a result of such investigations.
- We have operations in a number of countries and, consequently, risk facing complex tax issues and disputes and could be obligated to pay additional taxes in various jurisdictions.
- Our actual or anticipated performance, among other factors, could reduce our ability to utilize our deferred tax assets.
- We may be unable to retain, motivate, develop and recruit appropriately skilled employees.
- We may face problems or disruptions especially within our Mobile Networks business groups' manufacturing, service creation, delivery, logistics or supply chain. Additionally, adverse events may have a profound impact on production sites or the production sites of our suppliers, which are geographically concentrated.
- An unfavorable outcome of litigation, arbitrations, agreement-related disputes or product liability-related allegations with our business could have a material adverse effect on us.
- 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.
- Inefficiencies, breaches, malfunctions or disruptions of information technology systems could have a material adverse effect on our business and results of operations.
- We may not be able to optimize our capital structure as planned and re-establish our investment grade credit rating or otherwise improve our credit ratings.
- The amount of dividend and equity return distributed to shareholders for each financial period is uncertain.
- We may be unable to achieve targeted benefits from or successfully implement planned transactions or transactions may result in liabilities.
- We are involved in joint ventures and are exposed to risks inherent to companies under joint management.
- Performance failures of our partners, as well as failures to agree to partnering arrangements with third parties could adversely affect us.
- Our efforts aimed at managing and improving financial or operational performance, cost savings, competitiveness and obtaining the targeted synergy benefits associated with the acquisition of Alcatel Lucent, may not lead to targeted results, benefits or improvements.
- We may be adversely affected by developments with respect to the customer financing or extended payment terms that we provide our customers.
- The carrying amount of our goodwill may not be recoverable.
- Unexpected liabilities with respect to pension plans, post-retirement health plans, employee-related healthcare or insurance matters.
- Unexpected liabilities or issues with respect to the acquisition of Alcatel Lucent, including pensions, employee funds, post-retirement health plans, health and life insurances, healthcare costs and other employee liabilities or higher than expected transaction costs.
- Alcatel Lucent's business includes the installation and maintenance of undersea telecommunications cable networks, and in the course of this activity it may cause damage to existing undersea infrastructure, for which it may ultimately be held responsible.

Nokia Board of Directors

April 1, 2016

The way we operate, for our shareholders

Contents

| | |
|--|-----|
| Corporate governance statement | 74 |
| Regulatory framework | 74 |
| Main corporate governance bodies of Nokia | 74 |
| Members of the Board of Directors | 76 |
| Members of the Nokia Group Leadership Team | 82 |
| Risk management, internal control and internal audit functions at Nokia | 86 |
| Main procedures relating to insider administration | 87 |
| Auditor fees and services | 87 |
| Audit Committee pre-approval policies and procedures | 87 |
| Compensation | 88 |
| Board of Directors | 88 |
| Compensation of the Board of Directors in 2015 | 88 |
| Changes to the composition of the Board of Directors as of January 8, 2016 | 88 |
| Executive compensation | 89 |
| President and Chief Executive Officer | 91 |
| The Nokia Group Leadership Team | 94 |
| Compensation governance practices | 96 |
| Equity compensation | 96 |
| Performance of previous equity programs | 99 |
| Legacy equity compensation programs | 99 |
| Share ownership of the Board of Directors, the President and Chief Executive Officer and the Nokia Group Leadership Team | 100 |

Corporate governance statement

This corporate governance statement is prepared in accordance with Chapter 7, Section 7 of the Finnish Securities Markets Act (2012/746, as amended) and the Finnish Corporate Governance Code 2015, which entered into force on January 1, 2016 (the “Finnish Corporate Governance Code”).

Regulatory framework

Our corporate governance practices comply with Finnish laws and regulations as well as with our Articles of Association. We also comply with the Finnish Corporate Governance Code, available at www.cgfinland.fi, with the following exception:

In 2015, we complied with the old Finnish Corporate Governance Code 2010, with the exception that we were not in full compliance with recommendation 39, because our restricted share plans did not include performance criteria but were time-based only. The restricted shares vest in three equal tranches on the first, second and the third anniversary of the award subject to continued employment with Nokia. Restricted shares were to be granted on a highly limited basis and only in exceptional retention and recruitment circumstances, primarily in the United States, to ensure our ability able to retain and recruit talent vital to the future success of the company. The restricted share plan 2016 is designed in a similar manner, to be used on a limited basis for exceptional purposes related to retention and recruitment, primarily in the United States.

We comply with the corporate governance standards of Nasdaq Helsinki, which are applicable due to the listing of our shares on the exchange. Furthermore, as a result of the listing of our American Depositary Shares on the New York Stock Exchange (the “NYSE”) and our registration under the US Securities Exchange Act of 1934, we must comply with the US federal securities laws and regulations, including the Sarbanes-Oxley Act of 2002 as well as the rules of the NYSE, in particular the corporate governance standards under Section 303A of the NYSE Listed Company Manual, which is available at <http://nysemanual.nyse.com/lcm/>. We comply with these standards to the extent such provisions are applicable to foreign private issuers.

To the extent any non-domestic rules would require a violation of the laws of Finland, we are obliged to comply with Finnish law. There are no significant differences in the corporate governance practices applied by Nokia compared to those applied by US companies under the NYSE corporate governance standards, with the exception that Nokia complies with Finnish law

with respect to the approval of equity compensation plans. Under Finnish law, stock option plans require shareholder approval at the time of their launch. All other plans that include the delivery of company stock in the form of newly issued shares or treasury shares require shareholder approval at the time of the delivery of the shares, unless shareholder approval has been granted through an authorization to the Board, a maximum of five years earlier. The NYSE corporate governance standards require that the equity compensation plans be approved by a company's shareholders. Nokia aims to minimize the necessity for, or consequences of, conflicts between the laws of Finland and applicable non-domestic corporate governance standards.

The Board has also adopted corporate governance guidelines (“Corporate Governance Guidelines”) to reflect our commitment to good corporate governance. Our Corporate Governance Guidelines are available on our website at company.nokia.com/en/about-us/corporate-governance.

Main corporate governance bodies of Nokia

Pursuant to the provisions of the Finnish Limited Liability Companies Act (2006/624, as amended) (the “Finnish Companies Act”) and Nokia's Articles of Association, the control and management of Nokia is divided among the shareholders at a general meeting, the Board, the President and CEO and the Group Leadership Team, chaired by the President and CEO.

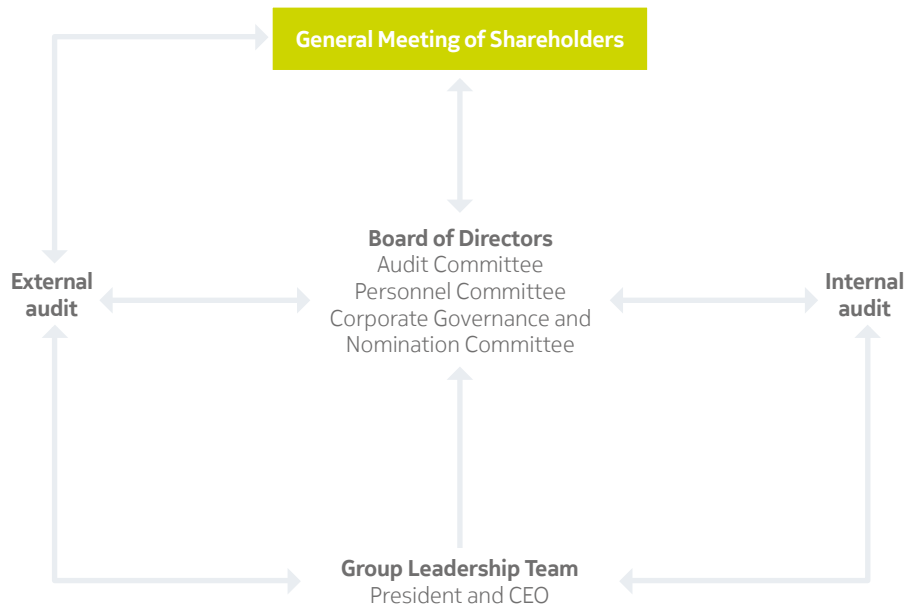
General meeting of shareholders

The shareholders may exercise their decision-making power and their right to speak and ask questions at the general meeting of shareholders. Each Nokia share entitles a shareholder to one vote at general meetings of Nokia. Pursuant to the Finnish Companies Act, an Annual General Meeting must convene by June 30 annually. The Annual General Meeting decides, among other things, on the election and remuneration of the Board, the adoption of annual accounts, the distribution of profit shown on the balance sheet and discharging the members of the Board and the President and CEO from liability, as well as on the election and fees of the external auditor.

In addition to the Annual General Meeting, an Extraordinary General Meeting shall be convened when the Board considers such meeting to be necessary, or when the provisions of the Finnish Companies Act mandate that such a meeting must be held.

“The Board has also adopted Corporate Governance Guidelines to reflect our commitment to good corporate governance.”

Corporate governance framework

**Board of Directors**

The operations of Nokia are managed under the direction of the Board, within the framework set by the Finnish Companies Act and Nokia's Articles of Association as well as any complementary rules of procedure as defined by the Board, such as the Corporate Governance Guidelines and the charters of the Board's committees.

Election and composition of the Board of Directors

Pursuant to the Articles of Association, Nokia Corporation has a Board of Directors composed of a minimum of seven and a maximum of 12 members. The Board is elected at least annually at each Annual General Meeting with a simple majority of the shareholders' votes cast at the meeting. The term of a Board member shall begin at the closing of the general meeting at which he or she was elected, or later as resolved by the general meeting, and expire at the closing of the following Annual General Meeting. The Annual General Meeting convenes by June 30 annually.

The Annual General Meeting held on May 5, 2015 elected the following eight members to the Board: Vivek Badrinath, Bruce Brown, Elizabeth Doherty, Simon Jiang, Jouko Karvinen, Elizabeth Nelson, Risto Siilasmaa and Kari Stadigh. Further changes to the composition of the Board took place at the Extraordinary General Meeting held on December 2, 2015 due to the transaction between Nokia and Alcatel Lucent. Elizabeth

Doherty had informed that she would step down from the Board following the completion of the initial public exchange offer for all outstanding Alcatel Lucent securities and the Extraordinary General Meeting elected, based on the proposal of the Board's Corporate Governance and Nomination Committee that, following the completion of the initial public exchange offer for all outstanding Alcatel Lucent securities, Louis R. Hughes, Jean C. Monty and Olivier Piou be elected as new members of the Board. The changes resolved at the Extraordinary General Meeting became effective as of January 8, 2016, after which the Board has consisted of ten members.

Our Board's leadership structure consists of a Chair and Vice Chair elected annually by the Board, and confirmed by the independent directors of the Board, from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. On May 5, 2015, the Board elected Risto Siilasmaa to continue to serve as the Chair and Jouko Karvinen as the Vice Chair of the Board. On January 8, 2016, following the changes to the Board composition as resolved by the Extraordinary General Meeting on December 2, 2016 and the completion of the initial public exchange offer for all outstanding Alcatel Lucent securities, the Board elected Risto Siilasmaa to continue as the Chair of the Board and Olivier Piou as the new Vice Chair of the Board. The Chair of the Board has certain specific duties as stipulated by Finnish law and our Corporate Governance

Guidelines. The Vice Chair of the Board assumes the duties of the Chair of the Board in the event he or she is prevented from performing his or her duties.

We do not have a policy concerning the combination or separation of the roles of the Chair of the Board and the President and CEO, but the leadership structure is dependent on the company needs, shareholder value and other relevant factors applicable from time to time, while respecting the highest corporate governance standards. In 2015, Rajeiv Suri served as the President and CEO, while Risto Siilasmaa served as the Chair of the Board.

The current members of the Board are all non-executive. For the term of the Board that began at the Annual General Meeting in 2015, all Board member candidates were determined to be independent under the Finnish corporate governance standards and the rules of the NYSE. Further, the new members elected at the Extraordinary General Meeting on December 2, 2015 were determined to be independent under the Finnish corporate governance standards and the rules of the NYSE.

The Board has adopted principles concerning Board diversity describing (a) our commitment to promote diverse Board composition and (b) how diversity is embedded into our processes and practices when identifying and proposing new Board candidates as well as re-election of current Board members.

At Nokia, board diversity consists of a number of individual elements, including gender, age, nationality, cultural and educational backgrounds, skills and experience. For us diversity is not a static concept, but rather a relevant mix of required elements for the Board as a whole that evolves with time based on, among others, the relevant business objectives and future needs of Nokia. We treat board diversity as a means for improvement and development rather than an end in itself.

Nokia acknowledges and supports the resolution adopted by the Finnish Government on February 17, 2015 on gender equality in the boards of directors of Finnish large and mid-cap listed companies. Accordingly, we aim to have representation of 40 percent of both genders in our Board of Directors by January 1, 2020 by proposing a corresponding Board composition for shareholder approval in the Annual General Meeting of 2019, at the latest. We will report annually the objectives relating to both genders being represented in our Board, the means to achieve the objectives, and the progress in achieving the objectives.

Corporate governance statement continued

Members of the Board of Directors

Set forth below are the current members and the biographical details of the members of the Board, as elected at the Annual General Meeting on May 5, 2015 and at the Extraordinary General Meeting on December 2, 2015.

Chair Risto Siilasmaa

b. 1966

Chair of the Nokia Board. Board member since 2008. Chair since 2012. Chair of the Corporate Governance and Nomination Committee.

Master of Science (Eng.), Helsinki University of Technology, Finland.

President and CEO of F-Secure Corporation 1988–2006.

Chairman of the Board of Directors of F-Secure Corporation. Chairman of the Board of Directors of the Federation of Finnish Technology Industries. Member of the Board of Directors of the Confederation of Finnish Industries (EK). Member of European Roundtable of Industrialists. Member of the Board of Directors of Alcatel Lucent SA.

Chairman of the Board of Directors of Elisa Corporation 2008–2012.

Vice Chair Olivier Piou

b. 1958

Chief Executive Officer of Gemalto N.V. Vice Chair of the Nokia Board. Board member and Vice Chair since 2016. Member of the Personnel Committee and the Corporate Governance and Nomination Committee.

Degree in Engineering, École Centrale de Lyon, France.

Chief Executive Officer of Gemalto N.V. since 2006. Chief Executive Officer of Axalto N.V. 2004–2006. With Schlumberger 1981–2004, including numerous management positions in the areas of technology, marketing and operations, in France and the United States.

Member of the Board of Directors of Gemalto N.V.

Member of the Board of Directors of Alcatel Lucent SA 2008–2016.

Vivek Badrinath

b. 1969

Deputy Chief Executive Officer, Accor Group. Nokia Board member since 2014. Member of the Audit Committee.

École Polytechnique and ENST, France.

Deputy Chief Executive Officer of Orange 2013–2014. Head of Business Services of Orange 2010–2013. Member of Group's Executive Committee, Head of networks and operators division 2009–2010. CTO of mobile activities of Orange 2004–2009. CEO of Thomson India in 2000–2004. Various technical positions with the long-distance networks division of Orange Group 1996–2000.

Member of the Board of Directors of ACCPC India.

Bruce Brown

b. 1958

Nokia Board member since 2012. Chair of the Personnel Committee. Member of the Corporate Governance and Nomination Committee.

M.B.A. (Marketing and Finance), Xavier University, the United States. B.S. (Chemical Engineering), Polytechnic Institute of New York University, the United States.

Retired from The Procter & Gamble Company in 2014. Chief Technology Officer of the Procter & Gamble Company 2008–2014. Various executive and managerial positions in Baby Care, Feminine Care, and Beauty Care units of The Procter & Gamble Company since 1980 in the United States, Germany and Japan.

Member of the Board of Directors of Agency for Science, Technology & Research (A*STAR) in Singapore. Member of the Board of Trustees of Xavier University. Member of the Board of Directors, the Audit Committee and the Nominating and Corporate Governance Committee of P. H. Glatfelter Company.

Louis R. Hughes

b. 1949

Nokia Board member since 2016. Member of the Audit Committee.

Master's Degree in Business Administration, Harvard University, Graduate School of Business, the United States. Bachelor of Mechanical Engineering, General Motors Institute, now Kettering University, the United States.

President & Chief Operating Officer of Lockheed Martin in 2000. Executive Vice President of General Motors Corporation 1992–2000. President of General Motors International Operations 1992–1998. President of General Motors Europe 1992–1994.

Chairman of InZero Systems (formerly GBS Laboratories) (USA). Independent director and member of the Audit Committee of AkzoNobel. Independent director and chairman of the Audit, Finance and Compliance Committee of ABB. Executive advisor partner of Wind Point Partners.

Member of the Board of Directors of Alcatel Lucent SA 2008–2016.

Simon Jiang

b. 1953

Founder and Chairman of CyberCity International Limited (CCI). Nokia Board member since 2015. Member of the Personnel Committee.

B.A., Beijing Foreign Studies University, China. M.A., Australian National University, Australia. MPhil and PhD (Economics), University of Cambridge, the United Kingdom.

Chairman of Vision Century Corporation Ltd 2002–2008. Founder of CyberCity Group of Companies 1997–2002. Deputy Chief and Fund Manager of United Nations Joint Staff Pension Fund 1992–1997.

Non-executive director of China Petroleum Chemical Corp (Sinopec). Non-executive director of COSCO International Holdings Ltd. Trustee of Cambridge China Development Trust. Director of China Disabled Persons Federation. Committee member of Chinese People's Political Consultative Conference. Senior Fellow of Judge Business School, Cambridge University. Member of United Nations Pension Fund Investments Committee.

Jouko Karvinen

b. 1957

Nokia Board member since 2011. Chair of the Audit Committee. Member of the Corporate Governance and Nomination Committee.

Master of Science (Eng.), Tampere University of Technology, Finland.

CEO of Stora Enso Oyj 2007–2014. CEO of Philips Medical Systems Division 2002–2006. Member of Board of Management of Royal Philips Electronics 2006 and Group Management Committee 2002–2006. Holder of executive and managerial positions at ABB Group Limited from 1987, including Executive Vice President, Head of Automation Technology Products Division and Member of Group Executive Committee 2000–2002.

Vice Chairman of the Board of Directors and member of the Audit Committee of Finnair. Member of the Board of Directors of Valmet Corporation. Member of the Foundation Board and the Supervisory Board of International Institute for Management Development. Member of the International Advisory Board of Komatsu Corporation of Japan.

Elizabeth Nelson**b. 1960**

Nokia Board member since 2012. Member of the Audit Committee.

M.B.A. (Finance), the Wharton School, University of Pennsylvania, the United States. B.S. (Foreign Service), Georgetown University, the United States.

Executive Vice President and Chief Financial Officer, Macromedia, Inc. 1997–2005. Vice President, Corporate Development, Macromedia, Inc. 1996–1997. Various roles in Corporate Development and International Finance, Hewlett-Packard Company 1988–1996.

Chairman of the Board of Directors of DAI. Independent Lead Director and Chair of the Audit Committee of Zendesk Inc. Member of the Board of Directors and Chair of the Audit Committee of Pandora Media.

Member of the Boards of Directors of Brightcove, Inc. 2010–2014, SuccessFactors, Inc. 2007–2012 and Ancestry.com, Inc. 2009–2012.

Jean C. Monty**b. 1947**

Nokia Board member since 2016. Member of the Audit Committee.

Bachelor of Arts, Collège Sainte-Marie de Montréal, Canada. Master of Arts in Economics, University of Western Ontario, Canada. Master of Business Administration, University of Chicago, the United States.

Chairman of the Board and Chief Executive Officer of Bell Canada Enterprises until 2002. President and Chief Executive Officer of Nortel Networks Corporation beginning in 1993.

Member of the Boards of Directors of Bombardier and Fiera Capital Inc.

Member of the Board of Directors of Alcatel Lucent SA 2008–2016.

Kari Stadigh**b. 1955**

Group CEO and President of Sampo plc. Nokia Board member since 2011. Member of the Personnel Committee. Member of the Corporate Governance and Nomination Committee.

Master of Science (Eng.), Helsinki University of Technology, Finland. Bachelor of Business Administration, Swedish School of Economics and Business Administration, Helsinki, Finland.

Deputy CEO of Sampo plc 2001–2009. President of Sampo Life Insurance Company Limited 1999–2000. President of Nova Life Insurance Company Ltd 1996–1998. President and COO of Jaakko Pöyry Group 1991–1996.

Member of the Board of Directors and Chair of the Board's Risk Committee of Nordea Bank AB (publ). Chairman of the Board of Directors of If P&C Insurance Holding Ltd (publ) and Mandatum Life Insurance Company Limited. Member of the Board of Directors of the Federation of Finnish Financial Services. Member of the Board of Directors of Waypoint Capital Group Holdings Ltd. Member of the Board of Directors of Niilo Helanderin Säätiö.

Chairman of the Board of Directors of Alma Media Corporation 2005–2011.

The following individuals served on the Board until the close of the Annual General Meeting held on May 5, 2015

Mårten Mickos**b. 1962**

Board member 2012–2015.

Dennis F. Strigl**b. 1946**

Board member 2014–2015. Served as a member of the Personnel Committee until May 5, 2015.

Risto Siilasmaa**Vivek Badrinath****Louis R. Hughes****Jouko Karvinen****Jean C. Monty****Olivier Piou****Bruce Brown****Simon Jiang****Elizabeth Nelson****Kari Stadigh**

Operations of the Board of Directors

The Board represents and is accountable to the shareholders of Nokia. The Board's responsibilities are active, not passive, and include the responsibility to evaluate the strategic direction of Nokia, its management policies and the effectiveness of the implementation of such by the management on a regular basis. It is the responsibility of the members of the Board to act in good faith and with due care, so as to exercise their business judgment on an informed basis, in a manner which they reasonably and honestly believe to be in the best interests of Nokia and its shareholders. In discharging that obligation, the members of the Board must inform themselves of all relevant information reasonably available to them. The Board and each Board committee also have the power to appoint independent legal, financial or other advisers as they deem necessary from time to time.

The Board's responsibilities also include overseeing the structure and composition of our top management and monitoring legal compliance and the management of risks related to our operations. In doing so, the Board may set annual ranges and/or individual limits for capital expenditures, investments and divestitures and financial commitments that may not be exceeded without separate Board approval.

In risk management policies and processes, the Board's role includes risk analysis and assessment in connection with financial, strategy and business reviews, updates and decision-making proposals. Risk management policies and processes are integral parts of Board deliberations and risk related updates are provided to the Board on a recurring basis. For a more detailed description of our risk management policies and processes, refer to "—Risk management, internal control and internal audit functions at Nokia—Main features of risk management systems" below.

The Board has the responsibility for appointing and discharging the President and CEO and the other members of the Group Leadership Team. Since May 2014, Rajeev Suri has served as the President and CEO. His rights and responsibilities include those allotted to the President under Finnish law and he also chairs the Group Leadership Team.

Subject to the requirements of Finnish law, the independent directors of the Board confirm the compensation and terms of employment of the President and CEO upon the recommendation of the Personnel Committee of the Board. The compensation and employment conditions of the other members of the Group Leadership Team are approved by the Personnel Committee upon the recommendation of the President and CEO.

The Board has three committees: the Audit Committee, the Corporate Governance and Nomination Committee and the Personnel Committee. These committees assist the Board in its duties pursuant to their respective committee charters. The independent directors of the Board elect the members and chairs of the Board's committees from among the Board's independent directors based on the recommendation of the Corporate Governance and Nomination Committee and based on each committee's member qualification standards. The Board may also establish ad hoc committees for detailed reviews or consideration of particular topics to be proposed for the approval of the Board.

In line with our Corporate Governance Guidelines, the Board conducts annual performance evaluations, which also include evaluations of the Board committees' work. In 2015, the Board conducted an evaluation process consisting of self-evaluations and peer evaluations, as well as interviews. The feedback from selected members of management was also requested as part of this evaluation process. The results of the evaluation are discussed by the entire Board.

Meetings of the Board of Directors

The Board held 25 meetings excluding committee meetings during 2015, of which approximately 40% were regularly scheduled meetings held in person, complemented by meetings via video or conference calls or by other means. Additionally, in 2015, the non-executive directors held meetings regularly without management in connection with Board meetings. Also, the independent directors held one separate meeting in 2015.

Directors' attendance at the Board meetings, including committee meetings but excluding meetings among the non-executive directors or independent directors only, in 2015 is set forth in the table below:

| | Board meetings % | Audit Committee meetings % | Corporate Governance and Nomination Committee meetings % | Personnel Committee meetings % |
|--------------------------------------|---------------------|-------------------------------------|---|---|
| Vivek Badrinath | 100 | 100 | – | – |
| Bruce Brown | 96 | – | 100 | 100 |
| Elizabeth Doherty | 92 | 71 | – | – |
| Simon Jiang (as of May 5, 2015) | 93 | – | – | 75 |
| Jouko Karvinen | 100 | 100 | 100 | – |
| Mårten Mickos (until May 5, 2015) | 100 | – | – | – |
| Elizabeth Nelson | 88 | 85 | – | – |
| Risto Siilasmaa | 100 | – | 100 ⁽¹⁾ | – |
| Kari Stadigh | 100 | – | 86 | 86 |
| Dennis F. Strigl (until May 5, 2015) | 80 | – | – | 66 |

(1) As of May 5, 2015.

Additionally, many of the directors attended as non-voting observers in meetings of a committee of which they were not a member.

According to the Board practices, the non-executive directors meet without management in connection with each regularly scheduled meeting. Such sessions are chaired by the non-executive Chair of the Board. If the non-executive Chair of the Board is unable to chair these meetings, the non-executive Vice Chair of the Board chairs the meeting. Additionally, the independent directors meet separately at least once annually.

All the directors who served on the Board for the term until the close of the Annual General Meeting in 2015, except Dennis F. Strigl, attended Nokia's Annual General Meeting held on May 5, 2015. All the directors elected at the Annual General Meeting 2015, except for Simon Jiang and Kari Stadigh, attended the Extraordinary General Meeting held on December 2, 2015. The Finnish Corporate Governance Code 2010 recommended that the Chair of the Board and a sufficient number of directors attend the general meeting of shareholders to ensure the possibility for the shareholders to exercise their right to present questions to both the Board and management.

Committees of the Board of Directors

The Audit Committee consists of a minimum of three members of the Board who meet all applicable independence, financial literacy and other requirements as stipulated by Finnish law and the rules of Nasdaq Helsinki and the NYSE. As of May 5, 2015, the Audit Committee consisted of the following four members of the Board: Jouko Karvinen (Chair), Vivek Badrinath, Elizabeth Doherty and Elizabeth Nelson. As of January 8, 2016, following the completion of the initial offer period of the public exchange offer for all outstanding Alcatel Lucent securities, the Audit Committee has consisted of the following five members of the Board: Jouko Karvinen (Chair), Vivek Badrinath, Louis R. Hughes, Jean C. Monty and Elizabeth Nelson.

The Audit Committee is established by the Board primarily for the purpose of oversight of the accounting and financial reporting processes of Nokia and the audits of its financial statements. The Committee is responsible for assisting the Board in the oversight of:

- (1) the quality and integrity of company's financial statements and related disclosures;
- (2) the statutory audit of the company's financial statements;
- (3) the external auditor's qualifications and independence;

(4) the performance of the external auditor subject to the requirements of Finnish law;

(5) the performance of the company's internal controls and risk management and assurance function;

(6) the performance of the internal audit function; and

(7) the company's compliance with legal and regulatory requirements, including the performance of its ethics and compliance program. The Committee also maintains procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by our employees of concerns relating to accounting or auditing matters. Nokia's disclosure controls and procedures, which are reviewed by the Audit Committee and approved by the President and CEO and the Chief Financial Officer, as well as the internal controls over financial reporting, are designed to provide reasonable assurance regarding the quality and integrity of the company's financial statements and related disclosures.

For further information on internal control over financial reporting, refer to "—Risk management, internal control and internal audit functions at Nokia—Description of internal control procedures in relation to the financial reporting process" below.

Corporate governance statement continued

Under Finnish law, an external auditor is elected by shareholders by a simple majority vote at the Annual General Meeting for one fiscal year at a time. The Audit Committee prepares the proposal to the shareholders, upon its evaluation of the qualifications and independence of the external auditor, of the nominee for election or re-election. Under Finnish law, the fees of the external auditor are also approved by the shareholders by a simple majority vote at the Annual General Meeting. The Committee prepares the proposal to the shareholders in respect of the fees of the external auditor, and approves the external auditor's annual audit fees under the guidance given by the Annual General Meeting. For information about the fees paid to Nokia's external auditor, PricewaterhouseCoopers, during 2015, refer to the "—Auditor fees and services" below.

In discharging its oversight role, the Audit Committee has full access to all company books, records, facilities and personnel. The Committee may appoint counsel, auditors or other advisers in its sole discretion, and must receive appropriate funding, as determined by the Audit Committee, from Nokia for the payment of compensation to such outside advisers.

The Board has determined that all members of the Audit Committee, including its Chair, Jouko Karvinen, are "audit committee financial experts" as defined in the requirements of Item 16A of the annual report on Form 20-F filed with the U.S. Securities and Exchange Commission ("SEC"). Mr. Karvinen and each of the other members of the Audit Committee are "independent directors" as defined in Section 303A.02 of the NYSE Listed Company Manual.

The Audit Committee meets a minimum of four times a year based upon a schedule established at the first meeting following the appointment of the Committee. The Committee meets separately with the representatives of Nokia's management, heads of the internal audit and ethics and compliance functions, and the external auditor in connection with each regularly scheduled meeting. The head of the internal audit function has, at all times, direct access to the Audit Committee, without the involvement of management.

The Audit Committee held seven meetings in 2015. The average attendance at the meetings was 100%. Additionally, any director who so wishes may attend meetings of the Audit Committee as a non-voting observer.

The Corporate Governance and Nomination Committee consists of three to five members of the Board who meet all applicable independence requirements as stipulated by Finnish law and the rules of Nasdaq Helsinki and the NYSE. As of May 5, 2015, the Corporate Governance and Nomination Committee consisted of the following four members of the Board: Risto Siilasmaa (Chair), Bruce Brown, Jouko Karvinen and Kari Stadigh. As of January 8, 2016, following the completion of the initial offer period of the public exchange offer for all outstanding Alcatel Lucent securities, the Corporate Governance and Nomination Committee has consisted of the following five members of the Board: Risto Siilasmaa (Chair), Bruce Brown, Jouko Karvinen, Olivier Piou and Kari Stadigh.

The Corporate Governance and Nomination Committee's purpose is: (1) to prepare the proposals for the general meetings in respect of the composition of the Board and the director remuneration to be approved by the shareholders; and (2) to monitor issues and practices related to corporate governance and to propose necessary actions in respect thereof.

The Committee fulfills its responsibilities by:

- (1) actively identifying individuals qualified to be elected members of the Board as well as considering and evaluating the appropriate level and structure of director remuneration;
- (2) proposing the director nominees to the shareholders for election at the general meetings as well as the director remuneration;
- (3) monitoring significant regulatory and legal developments as well as in the practice of corporate governance and of the duties and responsibilities of directors of public companies;
- (4) assisting the Board and each Committee of the Board in its annual performance evaluations, including establishing criteria to be applied in connection with such evaluations;
- (5) developing and recommending to the Board and administering Nokia's Corporate Governance Guidelines; and
- (6) reviewing Nokia's disclosure in the corporate governance statement.

The Committee has the power to appoint recruitment firms or advisers to identify appropriate candidates. The Committee may also appoint counsel or other advisers, as it deems appropriate from time to time. The Committee has the sole authority to appoint or terminate the services of such firms or advisers and to review and approve such firm's or adviser's fees and other retention terms. It is the Committee's practice to appoint a recruitment firm to identify new director candidates.

The Corporate Governance and Nomination Committee held seven meetings in 2015. The average attendance at the meetings was 96.3%. Additionally, any director who so wishes may attend meetings of the Corporate Governance and Nomination Committee as a non-voting observer.

The Personnel Committee consists of a minimum of three members of the Board who meet all applicable independence requirements as stipulated by Finnish law and the rules of Nasdaq Helsinki and the NYSE. As of May 5, 2015, the Personnel Committee consisted of the following three members of the Board: Bruce Brown (Chair), Simon Jiang and Kari Stadigh. As of January 8, 2016, following the completion of the initial offer period of the public exchange offer for all outstanding Alcatel Lucent securities, the Personnel Committee has consisted of the following four members of the Board: Bruce Brown (Chair), Simon Jiang, Olivier Piou and Kari Stadigh.

The primary purpose of the Personnel Committee is to oversee the personnel-related policies and practices at Nokia, as described in the Committee charter. It assists the Board in discharging its responsibilities in relation to all compensation, including equity compensation, of the company's executives and their terms of employment. The Committee has overall responsibility for evaluating, resolving and making recommendations to the Board regarding:

- (1) compensation of the company's top executives and their terms of employment;
- (2) all equity-based plans;
- (3) incentive compensation plans, policies and programs of the company affecting executives; and
- (4) other significant incentive plans. The Committee is responsible for overseeing compensation philosophy and principles and ensuring the above compensation programs are performance-based, designed to contribute to the long-term shareholder value creation and alignment to shareholders' interests, properly motivate management, and support overall corporate strategies. The Committee is responsible for the review of senior management development and succession plans.

The Personnel Committee held seven meetings in 2015. The average attendance at the meetings was 81.5%. Additionally, any director who so wishes may attend meetings of the Personnel Committee as a non-voting observer.

Nokia Group Leadership Team and the President and CEO

Nokia has a Group Leadership Team that is responsible for the operative management of Nokia. The Chair and members of the Group Leadership Team are appointed by the Board. The Group Leadership Team is chaired by the President and CEO. The President and CEO's rights and responsibilities include those allotted to the President under Finnish law.

Members of the Nokia Group Leadership Team

Set forth below are the current members of the Group Leadership Team and their biographical details. Information about the shares and share-based rights of the members of the Group Leadership Team is disclosed in the Remuneration Statement, refer to “—Compensation” below.

During 2015 and thereafter, the following new appointments were made to the Group Leadership Team:

- Federico Guillén was appointed the President of Fixed Networks and member of the Group Leadership Team as of January 8, 2016;
- Basil Alwan was appointed the President of IP/Optical Networks and member of the Group Leadership Team as of January 8, 2016;
- Bhaskar Gorti was appointed the President of Applications & Analytics and member of the Group Leadership Team as of January 8, 2016;
- Hans-Jürgen Bill was appointed the Chief Human Resources Officer and member of the Group Leadership Team as of January 8, 2016;
- Kathrin Buvac was appointed the Chief Strategy Officer and member of the Group Leadership Team as of January 8, 2016;
- Ashish Chowdhary was appointed the Chief Customer Operations Officer and member of the Group Leadership Team as of January 8, 2016;
- Barry French was appointed the Chief Marketing Officer and member of the Group Leadership Team as of January 8, 2016;
- Marc Rouanne was appointed the Chief Innovation & Operating Officer and member of the Group Leadership Team as of January 8, 2016; and
- Maria Varsellona was appointed the Chief Legal Officer and member of the Group Leadership Team as of January 8, 2016.

Further, during 2015 the following Group Leadership Team member resigned:

- Sean Fernback, formerly President, HERE stepped down from the Group Leadership Team as of December 5, 2015.

Rajeev Suri**Rajeev Suri**
b. 1967

President and Chief Executive Officer of Nokia Corporation. Chair and member of the Nokia Group Leadership Team since 2014. Joined Nokia 1995.

Bachelor of Engineering (Electronics and Communications), Manipal Institute of Technology, Karnataka, India.

Basil Alwan

CEO, Nokia Solutions and Networks 2009–2014. Head of Services, Nokia Siemens Networks 2007–2009. Head of Asia Pacific, Nokia Siemens Networks April 2007. Senior Vice President, Nokia Networks Asia Pacific 2005–2007. Vice President, Hutchison Customer Business Team, Nokia Networks 2004–2005. General Manager, Business Development, Nokia Networks Asia Pacific 2003. Sales Director–BT, O2 and Hutchison Global Customers, Nokia Networks 2002. Director, Technology and Applications, BT Global Customer, Nokia Networks 2000–2001. Head of Global Competitive Intelligence, Nokia Networks 1999–2000. Head of Product Competence Center, Nokia Networks South Asia 1997–1999. System Marketing Manager, Cellular Transmission, Nokia Networks India 1995–1997. Head of Group Procurement, imports and special projects, Churchgate Group, Nigeria 1993–1995. National Account Manager–Transmission/Manager–Strategic Planning, ICL India (ICIM) 1990–1993. Production Engineer, Calcom Electronics 1989.

Member of the Board of Directors of Alcatel Lucent SA.

Kathrin Buvac**Basil Alwan**
b. 1962

President of IP/Optical Networks. Group Leadership Team member since 2016. Joined Nokia 2016.

Bachelor in Computer Engineering, University of Illinois at Urbana-Champaign, the United States.

Ashish Chowdhary

Previously President of IP Routing and Transport, Alcatel Lucent 2012–2016. President of IP Division, Alcatel Lucent 2003–2012. Founder, President and CEO, TiMetra Networks 2000–2003. Vice President and General Manager, Bay Networks (acquired by Nortel) Enterprise Products Division (EPD) 1997–2000. Vice President of Product Management and Marketing, Rapid City Communications 1996–1997.

Hans-Jürgen Bill**b. 1960**

Chief Human Resources Officer. Group Leadership Team member since 2016. Joined Nokia Siemens Networks 2007.

Diploma in Telecommunications from the University of Deutsche Bundespost, Dieburg/Darmstadt, Germany. Diploma in Economics from the University of Applied Sciences, Pforzheim, Germany.

Executive Vice President, Human Resources, Nokia Corporation 2014–2016. Head of Human Resources, NSN 2009–2014. Head of West South Europe region, NSN 2007–2009. Head of Asia Pacific for Mobile Networks, Siemens 2003–2007. Head of Operations for Mobile Networks, Siemens 2001–2003. Head of Region Central-East and North Europe for Mobile Networks, Siemens 1998–2001. Head of Mobile Networks in Indonesia, Siemens 1994–1998. Various management positions, Siemens 1983–1994.

Kathrin Buvac**b. 1980**

Chief Strategy Officer. Group Leadership Team member since 2016. Joined Nokia Siemens Networks 2007.

Degree in Business Information Systems from University of Cooperative Education, Germany. Bachelor Degree in Business Administration from Open University, London, the United Kingdom.

Vice President, Corporate Strategy, Nokia Networks 2014–2016. Chief of staff to the CEO, Nokia Solutions and Networks 2011–2013. Head of Strategic Projects, Business Solutions, Nokia Siemens Networks 2009–2011. General Manager, Integration Programme, Nokia Siemens Networks 2007–2009. General Manager, Corporate Audit, Siemens Holding S.p.A. 2006–2007. Head of Controlling International Businesses, Siemens Communications 2003–2006. Head of Performance Controlling USA, Siemens Communications 2002–2003. Business Process Manager Global IT Strategy, Siemens Communications 2001–2002. Business Analyst, EADS Aerospace and Defence 1999–2000.

Ashish Chowdhary**b. 1965**

Chief Customer Operations Officer. Group Leadership Team member since 2016. Joined Nokia 2003.

MBA, Wharton School, University of Pennsylvania, Philadelphia, the United States. MS Computer Science, Emory University, Atlanta, the United States. BA Mathematics from University of Delhi, India.

Executive Vice President and Chief Business Officer at Nokia Networks 2015–2016. Head of Customer Operations Asia, Middle East & Africa (AMEA), Nokia Networks 2011–2015. Head of Global Services, Nokia Siemens Networks 2009–2010. Head of Managed Services, Nokia Siemens Networks 2007–2009. Country Head India, Nokia Networks 2003–2007. Vice President for Enterprise Business, Hughes Communications Ltd 2000–2003 and 1994–1998. Software and Project Engineer, Hughes Network Systems 1989–1993. Teaching Assistant, Computer Science, Emory University 1987–1989.

Corporate governance statement continued

Samih Elhage

b. 1961

President of Mobile Networks. Group Leadership Team member since 2014. Joined Nokia Siemens Networks in 2012.

Bachelor of Electrical Engineering (telecommunications), University of Ottawa, Canada. Bachelor of Economics, University of Ottawa, Canada. Master of Electrical Engineering (telecommunications), École Polytechnique de Montréal, Canada.

Chief Financial and Operating Officer, Nokia Networks 2013–2016. Chief Operating Officer, NSN 2012–2013. Senior Advisor, leading private equity and global management consulting firms 2011–2012. President, Carrier Voice over IP and Applications Solutions (CVAS) division, Nortel 2008–2010. Leadership positions in Operations, Business Transformation, Broadband Networks, Optical Networks, and Core Data Networks, Nortel 1998–2008. Multiple leadership and management roles related to network development at Bell Canada 1990–1998.

Member of the Board of Directors of Alcatel Lucent SA. Vice Chairman of the Board of Directors of Alcatel Lucent Shanghai Bell. Member of the Board of Directors of Quickplay Media Inc.

Barry French

b. 1963

Chief Marketing Officer. Group Leadership Team member since 2016. Joined Nokia 2006.

Master's Degree in International Affairs from Columbia University's School of International and Public Affairs, New York, the United States.

Chief Marketing Officer and Executive Vice President, Marketing and Corporate Affairs, Nokia 2014–2016. Head of Marketing and Corporate Affairs, Nokia Siemens Networks 2010–2014. Head of Communications, Nokia Siemens Networks 2006–2010. Vice President, Corporate Communications, United Airlines 2004–2006. Director, Corporate Communications, Dell 2000–2004. Additional roles included communications, government relations and management positions, Engineering Animation, Raytheon, KRC Research and the Sawyer/Miller Group.

Bhaskar Gorti

b. 1966

President of Applications & Analytics. Group Leadership Team member since 2016. Joined Nokia 2016.

Master's degree in Electrical Engineering from Virginia Polytechnic Institute and State University, Blacksburg, the United States. Bachelor's degree in Technology and Electrical Engineering from National Institute of Technology, Warangal, India.

Previously President of IP Platforms, Alcatel Lucent 2015–2016. Senior Vice President and General Manager, Communications Global Business Unit, Oracle 2006–2015. Senior Vice President, Portal Software 2002–2006.

Federico Guillén

b. 1963

President of Fixed Networks. Group Leadership Team member since 2016. Joined Nokia 2016.

Degree in Telecommunications Engineering, ETSIT at Universidad Politécnica de Madrid, Spain. Master's degree in Switching & Communication Architectures, ETSIT at Universidad Politécnica de Madrid, Spain. Master's Degree in International Management, ESC Lyon and Alcatel, France.

President of Fixed Networks, Alcatel Lucent 2013–2016. President and CEO of Alcatel Lucent Spain & Global Account Manager Telefonica, Alcatel Lucent 2009–2013. Vice President Sales of Vertical Market Sales in Western Europe, Alcatel Lucent 2009. Head of Regional Support Centre within Alcatel Lucent's Fixed Access Division for South Europe, MEA, India and CALA 2007–2009. CEO, Alcatel Mexico & Global Account Manager, Telmex 2003–2007. Various R&D, Portfolio and Sales Management Positions, Telettra and then Alcatel in Spain, Belgium and U.S. 1989–2003.

Ramzi Haidamus

b. 1964

President of Nokia Technologies. Group Leadership Team member since 2014. Joined Nokia in 2014.

Master of Science (electrical engineering), University of the Pacific, California, the United States.

Executive Vice President, Marketing and Business Development, Dolby Laboratories, Inc. 2012–2014. Executive Vice President, Sales and Marketing, Dolby Laboratories, Inc. 2007–2012. Senior Vice President and General Manager, Dolby Labs Licensing Corporation, 2006–2007. Director, Business Development, Dolby Laboratories, Inc. 2002–2006. Technology Business Strategist, Dolby Laboratories, Inc. 2000. Manager, Digital Technologies Licensing, Dolby Laboratories, Inc. 1997. Senior Licensing Engineer, Digital Technologies, Dolby Laboratories, Inc. 1996. Design Engineer, Stanford Research Systems, 1989.

Samih Elhage



Barry French



Bhaskar Gorti



Federico Guillén



Ramzi Haidamus



Timo Ihamuotila**Timo Ihamuotila****b. 1966**

Chief Financial Officer. Group Leadership Team member since 2007. With Nokia 1993–1996, re-joined in 1999.

Master of Science (Economics), Helsinki School of Economics, Finland. Licentiate of Science (Finance), Helsinki School of Economics, Finland.

Executive Vice President, Sales, Markets, Nokia 2008–2009. Executive Vice President, Sales and Portfolio Management, Mobile Phones, Nokia 2007. Senior Vice President, CDMA Business Unit, Mobile Phones, Nokia 2004–2007. Vice President, Finance, Corporate Treasurer, Nokia 2000–2004. Director, Corporate Finance, Nokia 1999–2000. Vice President of Nordic Derivatives Sales, Citibank plc. 1996–1999. Manager, Dealing & Risk Management, Nokia 1993–1996. Analyst, Assets and Liability Management, Kansallis Bank 1990–1993.

Member of Board of Directors and chairman of the Audit Committee of Uponor Corporation. Member of the Board of Directors of Alcatel Lucent SA.

Marc Rouanne**b. 1963**

Chief Innovation & Operating Officer. Group Leadership Team member since 2016. Joined Nokia Siemens Networks 2008.

Ph.D. in Information Theory from University of Notre Dame, Indiana, the United States. Engineering degree in Signal Processing from Supélec, France. Degree in Computer Science from Université d'Orsay, France.

Executive Vice President, Mobile Broadband, Nokia Networks 2011–2016. Head of Network Systems, Nokia Siemens Networks 2010–2011. Head of Radio Access, Nokia Siemens Networks 2008–2009. Executive Vice President of Alcatel, President of Convergence Business Group, Alcatel Lucent 2006–2008. Chief Operating Officer, then President Wireless Business Group, then Executive Vice President, Alcatel 2003–2006. VP positions, then Chief Operating Officer, then President Wireless Business Division, Alcatel 1997–2003. R&D and Engineering Director positions, Matra and Nortel Matra Cellular 1988–1997.

Maria Varsellona**b. 1970**

Chief Legal Officer. Group Leadership Team member since 2016. Joined Nokia Siemens Networks (NSN) 2013.

Law Degree from University of Palermo (Juris Doctor), Italy.

Executive Vice President and Chief Legal Officer, Nokia 2014–2016. General Counsel, NSN 2013–2014. Tetra Pak Group General Counsel, Tetra Laval Group 2011–2013. Sidel Group General Counsel, Tetra Laval Group 2009–2011. Senior Counsel Commercial Operations and Global Services, GE Oil & Gas 2006–2009. Senior Counsel Europe, Hertz Europe 2005–2006. Senior Counsel Global Services, GE Oil & Gas 2001–2005. Lawyer, Pini Birmingham & Partners 1998–2001. Lawyer, Greco Law Firm 1994–1998.

Member of the Board of Directors of Alcatel Lucent SA.

Further information

The Corporate Governance Guidelines concerning the directors' responsibilities, the composition and election of the members of the Board, its committees and certain other matters relating to corporate governance are available on our website at company.nokia.com/en/about-us/corporate-governance. Furthermore, we have a Code of Conduct which is equally applicable to all our employees, directors and management and, in addition, we have a Code of Ethics applicable to the President and CEO, Chief Financial Officer and Corporate Controller. These documents and the charters of the Audit Committee, the Corporate Governance and Nomination Committee and the Personnel Committee are available on our website at company.nokia.com/en/about-us/corporate-governance.

Maria Varsellona

Risk management, internal control and internal audit functions at Nokia

Main features of risk management systems

We have a systematic and structured approach to risk management across business operations and processes. Key risks and opportunities are primarily identified against business targets either in business operations or as an integral part of long- and short-term planning. Key risks and opportunities are analyzed, managed, monitored and identified as part of business performance management with the support of risk management personnel. Our overall risk management concept is based on managing the key risks that would prevent us from meeting our objectives, rather than solely focusing on eliminating risks. The principles documented in the Nokia Risk Management Policy, which is approved by the Audit Committee of the Board, require risk management and its elements to be integrated into key processes. One of the main principles is that the business or function head is also the risk owner, although all employees are responsible for identifying, analyzing and managing risks, as appropriate, given their roles and duties. Risk management covers strategic, operational, financial and hazard risks. Key risks and opportunities are reviewed by the Group Leadership Team and the Board in order to create visibility on business risks as well as to enable prioritization of risk management activities. In addition to the principles defined in the Nokia Risk Management Policy, specific risk management implementation is reflected in other key policies.

The Board's Audit Committee is responsible for, among other matters, risk management relating to the financial reporting process and assisting the Board's oversight of the risk management function. Overseeing risk is an integral part of Board deliberations. The Board's role in overseeing risk includes risk analysis and assessment in connection with financial, strategy and business reviews, updates and decision-making proposals. Additionally, certain significant risks are selected as priority risks that are monitored by the Board regularly. We have an Enterprise Risk Management ("ERM") function within the CFO organization. ERM regularly reviews risk evaluations with the internal controls function, and the internal controls function utilized the ERM analysis in planning its priority areas.

Description of internal control procedures in relation to the financial reporting process

The management is responsible for establishing and maintaining adequate internal control over financial reporting for Nokia. Our internal control over financial reporting is designed to provide reasonable assurance to the management and the Board regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements.

The management conducts a yearly assessment of Nokia's internal controls over financial reporting in accordance with the Committee of Sponsoring Organizations framework (the "COSO framework", 2013) and the Control Objectives for Information and related technology of internal controls. In 2015, the assessment was performed based on a top-down risk assessment of our financial statements covering significant accounts, processes and locations, corporate level controls and information systems' general controls.

As part of its assessment the management documented:

- the corporate-level controls, which create the "tone from the top" containing the Nokia values and Code of Conduct and provide discipline and structure to decision making processes and ways of working. Selected items from our operational mode and governance principles are separately documented as corporate level controls;

- the significant processes, including eight financial cycles and underlying IT cycle, identified by us to address control activities implementing the top down risk based approach. These cycles include revenue cycle, inventory cycle, purchase cycle, treasury cycle, human resources cycle, accounting and reporting cycle, tax cycle and IT cycle. Financial cycles have been designed to: (i) give a complete end-to-end view of all financial processes; (ii) identify key control points; (iii) identify involved organizations; (iv) ensure coverage for important accounts and financial statement assertions; and (v) enable internal control management within Nokia;
- the control activities, which consist of policies and procedures to ensure the management's directives are carried out and the related documentation is stored according to our document retention practices and local statutory requirements; and
- the information systems' general controls to ensure that sufficient IT general controls, including change management, system development and computer operations, as well as access and authorizations, are in place.

Further, the management also:

- assessed the design of the controls in place aimed at mitigating the financial reporting risks;
- tested operating effectiveness of all key controls;
- evaluated all noted deficiencies in internal controls over financial reporting in the interim and as of year-end; and
- performed a quality review on assessment documentation and provided feedback for improvement.

In conclusion, the management has assessed the effectiveness of our internal control over financial reporting, at December 31, 2015, and concluded that such internal control over financial reporting is effective.

Description of the organization of the internal audit function

We also have an internal audit function that acts as an independent appraisal function by examining and evaluating the adequacy and effectiveness of our system of internal control. Internal audit resides within the Chief Financial Officer's organization and reports to the Audit Committee of the Board. The head of the internal audit function has direct access to the Audit Committee, without involvement of the management. All authority of the internal audit function is derived from the Board of Directors. Internal audit aligns to the business regionally and by business and function.

Annually, an internal audit plan is developed with input from the management, key business risks, and external factors. This plan is approved by the Audit Committee of the Board. Audits are completed across the business focused on country level, customer level, IT system implementation, operations activities or at a Group function level. The results of each audit are reported to the management identifying issues, financial impact, if any, and the correcting actions to be completed. Quarterly, internal audit communicated the progress of the internal audit plan completion including the results of the closed audits.

Internal audit also works closely with our Ethics and Compliance office to review any financial concerns brought to light from various channels.

In 2015, the internal audit plan was completed and all results of these reviews were reported to the management and to the Audit Committee of the Board.

Main procedures relating to insider administration

Our insider administration is organized according to the applicable European Union and Finnish laws and regulations as well as the Nokia Insider Policy which sets out Group-wide rules and practices. The policy is applicable to all Nokia insiders as well as to all Nokia Group employees.

Our insider administration's responsibilities include internal communications related to insider matters and arrangement of related trainings; organizing and maintaining our insider registers; and overseeing the compliance with the insider rules.

Auditor fees and services

PricewaterhouseCoopers Oy has served as Nokia's auditor for each of the fiscal years in the three-year period ended December 31, 2015. The auditor is elected annually by Nokia shareholders at the Annual General Meeting for the fiscal year in question. The Audit Committee of the Board prepares the proposal to the shareholders in respect of the appointment of the auditor based upon its evaluation of the qualifications and independence of the auditor to be proposed for election or re-election on an annual basis.

The following table presents fees by type paid to PricewaterhouseCoopers for the years ended December 31:

| EURm | 2015 | 2014 |
|-----------------------------------|-------------|-------------|
| Audit fees ⁽¹⁾ | 13.5 | 14.8 |
| Audit-related fees ⁽²⁾ | 3.1 | 0.6 |
| Tax fees ⁽³⁾ | 1.2 | 0.8 |
| All other fees ⁽⁴⁾ | 0.6 | 2.9 |
| Total | 18.4 | 19.1 |

(1) Audit fees consist of fees billed for the annual audit of the Group's consolidated financial statements and the statutory financial statements of the Group's subsidiaries.

(2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Group's financial statements or that are traditionally performed by the independent auditor, and include consultations concerning financial accounting and reporting standards; advice on tax accounting matters; advice and assistance in connection with local statutory accounting requirements; due diligence related to acquisitions or divestitures; financial due diligence in connection with provision of funding to customers, reports in relation to covenants in loan agreements; employee benefit plan audits and reviews; and audit procedures in connection with investigations and compliance programs. They also include fees billed for other audit services, which are those services that only the independent auditor reasonably can provide, and include the provision of comfort letters and consents in connection with statutory and regulatory filings and the review of documents filed with the SEC and other capital markets or local financial reporting regulatory bodies.

(3) Tax fees include fees billed for: (i) corporate and indirect compliance including preparation and/or review of tax returns, preparation, review and/or filing of various certificates and forms and consultation regarding tax returns and assistance with revenue authority queries; (ii) transfer pricing advice and assistance with tax clearances; (iii) customs duties reviews and advice; (iv) consultations and tax audits (assistance with technical tax queries and tax audits and appeals and advice on mergers, acquisitions and restructurings); (v) personal compliance (preparation of individual tax returns and registrations for employees (non-executives), assistance with applying visa, residency, work permits and tax status for expatriates); and (vi) consultation and planning (advice on stock-based remuneration, local employer tax laws, social security laws, employment laws and compensation programs and tax implications on short-term international transfers).

(4) Other fees include fees billed for company establishment, forensic accounting, data security, investigations and reviews of licensing arrangements with customers, other consulting services and occasional training or reference materials and services.

Audit Committee pre-approval policies and procedures

The Audit Committee of the Board is responsible, among other matters, for the oversight of the external auditor subject to the requirements of Finnish law. The Audit Committee has adopted a policy regarding pre-approval of audit services performed by the external auditors of Nokia Group (including the principal auditor as well as any other auditor of a Nokia Group Company) and permissible non-audit services performed by the principal external auditor of the Nokia Group (the "Pre-approval Policy").

Under the Pre-approval Policy, proposed services either: (i) may be pre-approved by the Audit Committee in accordance with certain service categories described in appendices to the Pre-approval Policy ("general pre-approval"); or (ii) require the specific pre-approval of the Audit Committee ("specific pre-approval"). The Audit Committee may delegate either type of pre-approval authority to one or more of its members. The appendices to the Pre-approval Policy set out the audit, audit-related, tax and other services that have received the general pre-approval of the Audit Committee. All other audit, audit-related (including services related to internal controls and significant M&A projects), tax and other services are subject to a specific pre-approval from the Audit Committee. All service requests concerning generally pre-approved services will be submitted to the Corporate Controller, who will determine whether the services are within the services generally pre-approved. The Pre-approval Policy and its appendices are subject to annual review by the Audit Committee.

The Audit Committee establishes budgeted fee levels annually for each of the four categories of audit and non-audit services that are pre-approved under the Pre-approval Policy, namely, audit, audit-related, tax and other services. Requests or applications to provide services that require specific approval by the Audit Committee are submitted to the Audit Committee by both the external auditor and the Corporate Controller. At each regular meeting of the Audit Committee, the auditor provides a report in order for the Audit Committee to review the services that the auditor is providing, as well as the status and cost of those services.

Compensation

Board of Directors

The table below outlines the annual compensation payable to the members of the Board for their services on the Board and its committees, as resolved at the respective Annual General Meetings in 2015, 2014, and 2013.

| EUR | 2015 | 2014 | 2013 |
|------------------------------|------------------|------------------|------------------|
| Chair | 440 000 | 440 000 | 440 000 |
| Vice Chair | 150 000 | 150 000 | 150 000 |
| Member | 130 000 | 130 000 | 130 000 |
| Chair of Audit Committee | 25 000 | 25 000 | 25 000 |
| Member of Audit Committee | 10 000 | 10 000 | 10 000 |
| Chair of Personnel Committee | 25 000 | 25 000 | 25 000 |
| Total⁽¹⁾ | 1 450 000 | 1 580 000 | 1 570 000 |

(1) The changes in the aggregate Board compensation year on year are attributable to changes in the number of Board members and their committee memberships. The compensation paid for services rendered remained the same over the relevant periods.

In accordance with our policy, directors' remuneration consists of an annual fee only with no additional fees paid for meeting attendance. Approximately 40% of the director remuneration is paid in the form of Nokia shares that are purchased from the market, or alternatively, by using treasury shares held by the Company. The remainder of the remuneration, approximately 60%, is paid in cash, most of which is typically used to cover related taxes. Additionally, directors shall retain until the end of their directorship, the net after-tax number of shares that they have received as remuneration for their duties as members of the Board during their first three years of service. Non-executive directors do not participate in any of our equity programs and do not receive performance shares, restricted shares or any other equity based or variable compensation for their duties as Board members.

The compensation payable to the Board is resolved annually by the shareholders of Nokia represented at the general meeting. The compensation is resolved by a majority vote of the shareholders represented at the general meeting, upon the proposal of the Corporate Governance and Nomination Committee of the Board. The compensation is determined as of the date of the general meeting, until the close of the next annual general meeting.

When preparing the proposal for Board compensation for the general meeting, the Corporate Governance and Nomination Committee reviews and compares total compensation levels and their criteria to other global peer group companies that have corresponding net sales and complexity of business as that of Nokia. The Corporate Governance and Nomination Committee's aim is to ensure that Nokia has an efficient Board consisting of international professionals representing a diverse mix of skills and experience. Competitive Board remuneration contributes to the achievement of this target.

Compensation of the Board of Directors in 2015

In 2015, the aggregate amount of compensation paid to the members of the Board for their services on the Board and its committees equaled EUR 1 450 000.

The following table outlines the total annual compensation paid to the members of the Board for their services in 2015, as resolved by shareholders at the Annual General Meeting on May 5, 2015. For more details on Nokia shares held by the members of the Board, refer to "—Share ownership of the Board of Directors, the President and Chief Executive Officer and the Nokia Group Leadership Team" below.

Compensation earned or paid in 2015⁽¹⁾:

| | EUR |
|---|------------------|
| Risto Siilasmaa, Chair | 440 000 |
| Jouko Karvinen, Vice Chair ⁽²⁾ | 175 000 |
| Vivek Badrinath ⁽³⁾ | 140 000 |
| Bruce Brown ⁽⁴⁾ | 155 000 |
| Elizabeth Doherty ⁽⁵⁾ | 140 000 |
| Simon Jiang | 130 000 |
| Mårten Mickos (Board member until May 5, 2015) ⁽⁶⁾ | — |
| Elizabeth Nelson ⁽⁷⁾ | 140 000 |
| Kari Stadigh | 130 000 |
| Dennis Strigl (Board member until May 5, 2015) ⁽⁶⁾ | — |
| Total | 1 450 000 |

(1) Approximately 40% of each Board member's annual compensation was paid in Nokia shares purchased from the market and the remaining approximately 60% in cash.

(2) Represents compensation paid to Jouko Karvinen, consisting of EUR 150 000 for services as Vice Chair of the Board until January 8, 2016 and EUR 25 000 for services as the Chair of the Audit Committee.

(3) Represents compensation paid to Vivek Badrinath, consisting of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

(4) Represents compensation paid to Bruce Brown, consisting of EUR 130 000 for services as a member of the Board and EUR 25 000 for services as the Chair of the Personnel Committee.

(5) Represents compensation paid to Elizabeth Doherty, consisting of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee, both until January 8, 2016.

(6) Mårten Mickos and Dennis Strigl served as members of the Board until the close of the Annual General Meeting in 2015. Neither of them was paid any compensation during fiscal year 2015, but received compensation for the term until the close of the Annual General Meeting in 2015 in the fiscal year 2014.

(7) Represents compensation paid to Elizabeth Nelson, consisting of EUR 130 000 for services as a member of the Board and EUR 10 000 for services as a member of the Audit Committee.

Changes to the composition of the Board of Directors as of January 8, 2016

On January 8, 2016, we confirmed the new composition of the Board following the successful public exchange offer for all outstanding Alcatel Lucent securities. In accordance with the resolutions passed at the Extraordinary General Meeting on December 2, 2015, and following the successful public exchange offer for all Alcatel Lucent securities, our Board consists of ten members. The new members of the Board are Louis R. Hughes, Jean C. Monty and Olivier Piu. Elizabeth Doherty, who was a member of the Board until the successful closing of the exchange offer for all Alcatel Lucent securities, stepped down from the Board.

Additionally, the Extraordinary General Meeting resolved that the new members of the Board elected at the meeting will receive the same annual remuneration as is paid to the members of the Board elected at the Annual General Meeting on May 5, 2015, prorated by the new Board members' time in service until the closing of the Annual General Meeting in 2016.

For more details on the composition of the Board, refer to "Corporate Governance Statement—Main corporate governance bodies of Nokia" above. The new members of the Board were not paid any compensation during the fiscal year 2015. The following table outlines the total annual compensation paid to the new members of the Board for their services in 2016, as resolved by shareholders of Nokia at the Extraordinary General Meeting on December 2, 2015.

| | (EUR) ⁽¹⁾ |
|---|----------------------|
| Olivier Piou, Vice Chair as of January 8, 2016 ⁽²⁾ | 70 082 |
| Louis Hughes, Board member as of January 8, 2016 ⁽³⁾ | 65 410 |
| Jean Monty, Board member as of January 8, 2016 ⁽⁴⁾ | 65 410 |

(1) The new Board members have received the same annual remuneration as was paid to the members of the Board elected at the Annual General Meeting on May 5, 2015, prorated by the new Board members' time in service until the closing of the Annual General Meeting in 2016. Approximately 40% of each Board member's annual compensation was paid in Nokia shares purchased from the market and the remaining approximately 60% in cash.

(2) Represents compensation paid to Olivier Piou, consisting of EUR 70 082 for services as the Vice Chair of the Board.

(3) Represents compensation paid to Louis Hughes, consisting of EUR 60 738 for services as a member of the Board and EUR 4 672 for services as a member of the Audit Committee.

(4) Represents compensation paid to Jean Monty, consisting of EUR 60 738 for services as a member of the Board and EUR 4 672 for services as a member of the Audit Committee.

Executive compensation

Introduction

The year 2015 was the first full year following the Sale of the D&S Business and the integration of the Nokia Networks business. With a stable leadership team in place and certain changes in the compensation structure introduced in 2014, 2015 was about executing change in the business, preparing for the acquisition of Alcatel Lucent and the Sale of the HERE Business.

Our focus for executive compensation is to:

- Attract and retain the right talent;
- Drive performance; and
- Align with shareholder interests.

We have undergone significant structural changes over the past three years and continue to do so following our acquisition of Alcatel Lucent. Additionally, the corporate reporting environment is expected to evolve further e.g., as a result of the pending shareholder rights directive in Europe, which would further change disclosure requirements. To simplify reporting, we have decided to report information related to executive compensation in accordance with Finnish regulatory requirements (and in compliance with SEC requirements) and to provide disclosure of compensation of our President and CEO and aggregated information for our Group Leadership Team, as well as to provide a clear explanation of our policies and practices that relate to the President and CEO and to our executives and employees more broadly.

Variable compensation plans have paid out in a manner consistent with the 2015 business results. Short-term incentive plans paid out above target for 2015 in line with the performance on all three key metrics we use as a basis for calculating variable compensation—non-IFRS revenue, non-IFRS operating profit and net cash flow.

Our long-term incentive plan performance condition achievement is also tied to our business results. In recent years, our performance shares have not paid out as the required business performance was not met. It is satisfying to see that the 2013 performance share plan that vested on January 1, 2016 has delivered value to participants as they have participated in delivering value to shareholders. The 2013 performance share plan vested at 86.25% of target during which time we saw an increase in diluted EPS for Continuing operations from a negative EUR (0.16) for the fiscal year 2012 to positive EUR 0.67 per share for the fiscal year 2014 and the share price increase from EUR 3.49 before the plan was approved to EUR 6.60 at December 31, 2015. The 2014 performance share plan will vest on January 1, 2017 and is expected to vest at 125.72% of the target award.

Compensation philosophy, design and strategy

Our compensation programs are designed to attract, incentivize and retain the talent necessary to deliver strong financial results to the ultimate benefit of our shareholders. Rewards are tied to our strategy by adopting an appropriate mix of fixed and variable compensation to engage and motivate employees in the performance of the business and ensure alignment with shareholder interests.

A single compensation framework is used across the Nokia Group with a varying mix of fixed and variable compensation for each level of responsibility. Higher levels of performance-based compensation and equity compensation are used to reward executives for delivering long-term sustainable growth and creating value for our shareholders.

We aim to provide a globally competitive compensation offering, which is comparable to that of our peer group companies, taking into account industry, geography, size and complexity. The peer group is reviewed annually and external advice is sought to confirm the appropriateness of the peer group and also the quantum and the relative mix of compensation packages.

In designing our variable compensation programs key consideration is given to:

- incorporating specific performance measures that align directly with the execution of our strategy and driving long-term sustainable success;
- delivering an appropriate amount of performance-related variable compensation for the achievement of strategic goals and financial targets in both the short- and long-term;
- appropriately balancing rewards between company and individual performance; and
- fostering an ownership culture that promotes sustainability and long-term value creation that aligns the interests of participants with those of our shareholders.

Compensation continued

Compensation structure and goal setting

In line with our overall compensation philosophy our executives are rewarded using a mix of fixed and variable pay.

The elements of the compensation structure for the Group Leadership Team including the President and CEO are further detailed below:

| Element | Principles | Purpose |
|--------------------------------|--|---|
| Base salary | Fixed cash component targeted at our peer group median; base salary can vary from the market due to individual performance, experience, time in position, and internal comparability considerations. Base salaries are reviewed annually taking into account market conditions, our financial condition and individual performance. | To compensate for the relevant knowledge, skills and experience the individual brings to the role and the responsibility of their position. Provides a degree of financial certainty and stability that helps us retain talent. |
| Short-term incentive | An annual cash award designed to reward a mix of corporate, business unit, and individual performance compared to pre-established performance goals. The on target short-term incentive award, when taken together with base salary, is designed to provide a median annual total cash compensation comparable to that provided by our peer group. | Reward for the achievement of key business metrics by meeting financial and strategic targets during the fiscal year. |
| Long-term incentive | <p>Performance shares: The equity-based portion of compensation that is tied to our long-term success and delivered primarily through performance shares.</p> <p>Long-term incentive awards are intended to provide competitive incentive compensation compared with our peer group when combined with base salary and target short-term incentive.</p> <p>The ultimate value of an award depends on our share price and business performance against predetermined performance measures.</p> <p>Restricted shares: Restricted shares are used on a limited basis or in exceptional retention and recruitment circumstances, predominantly in the United States, as is consistent with market practice. The number of shares vesting is predetermined but the ultimate value will rise or fall in line with movements in the share price.</p> <p>There are also certain legacy equity compensation programs in force as described in “—Legacy equity compensation programs” below.</p> | To reward for delivery of sustainable long-term performance, align the executives’ interests with those of shareholders and aid retention. |
| Benefits & perquisites | Executives are provided the same benefits as are made available to employees more broadly in the relevant country, with additional security provisions, as appropriate. Executives may also be provided with certain other benefits from time to time, which are not material in value. | Benefits and perquisites are offered as part of the core compensation package to enable us to attract, retain and protect employees and executives. |
| Relocation & mobility | To facilitate international mobility by providing relevant benefits to assist executives in relocation. Mobility policies support the relocation of an executive and their dependents or the reasonable costs of commuting. Benefits are market specific and are not compensation for performing the role, but rather provided to defray costs or additional burdens of a relocation or residence outside the home country. | To assist with mobility across the Group to ensure the appropriate talent is available to execute our strategy at the right locations. |
| Retirement plans | To provide retirement funding in line with local market and legal requirements, typically through defined contribution or locally mandated pension plans. No supplemental pension arrangements are provided. | To give a market competitive level of provision for post-retirement income. |
| Change of control arrangements | Change of control arrangements are offered on a very limited basis, and based on a double trigger structure, which means that both a specified change of control event and termination of the individual’s employment must take place for any change of control based severance payment to materialize. For further information refer to “—Termination provisions for the President and Chief Executive Officer” and “—Nokia Group Leadership Team members”. | To ensure the continuity of management in connection with possible change of control event. |

President and Chief Executive Officer

Overview

The compensation structure for the President and CEO is determined in line with our philosophy of pay for performance, such that 80% of the target compensation is delivered based on performance. The charts opposite show the potential value of each element and the overall mix of compensation. Of the variable compensation, 31.25% comprises short-term incentives, earned during the year for delivery of annual targets and 68.75% is earned over a three-year period for delivery of sustainable growth in terms of revenue and EPS, thus ensuring alignment of the interests of the President and CEO with those of shareholders through long-term incentives.

The President and CEO is also required to hold a minimum of three times his base salary in Nokia shares in order to ensure alignment with shareholders over the long term. He has five years from his appointment as the President and CEO to meet this requirement and Mr. Suri is expected to do so before the fifth year through the vesting of long-term incentive awards. To further ensure alignment with our pay for performance philosophy in the event that there is any material restatement of financial results both short-term and long-term variable compensation is subject to a clawback policy.

Overall compensation for 2015 was set in relation to the market as opposite:

For 2016, the Board has approved the increase of Mr. Suri's salary by 5%, thus increasing his base salary to EUR 1 050 000 annually (from EUR 1 000 000 in 2015) reflecting a combination of Mr. Suri's performance and the enlarged role he takes on in 2016 following the acquisition of Alcatel Lucent. The on target incentive will remain at 125% of base salary and will increase to EUR 1 312 500 effective January 8, 2016. Mr. Suri will receive an award of performance shares in 2016 with a present value of EUR 3 025 000; the ultimate value will be determined by Nokia's performance against targets and the share price in the next three years.

Variable pay

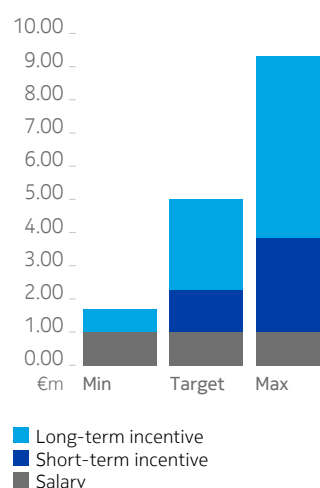
The Board believes that the most appropriate metrics for driving sustainable business performance at Nokia are:

- non-IFRS revenue;
- non-IFRS operating profit; and
- net cash flow.

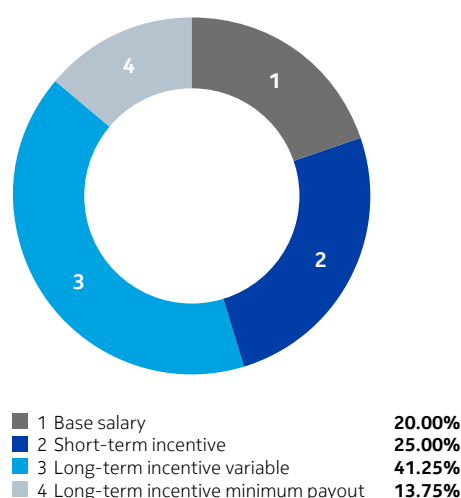
The variable compensation plans focus on these measures with an element on a personal strategic objective to support the strategic development of Nokia, which is not necessarily measurable in financial terms in the short term.

A summary of the weighting of incentive based on each metric is shown opposite:

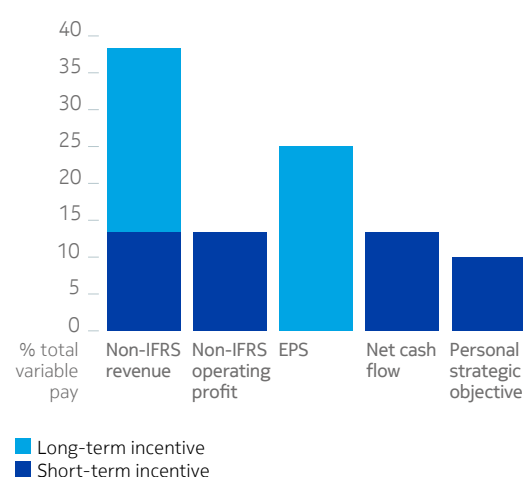
2015 Pay opportunity



2015 Pay mix



Incentive opportunity by metric (%)



Compensation continued

To ensure alignment with shareholders’ interests and the culture of developing long-term sustainable success, we have two policies in place which apply to variable compensation:

Clawback policy: In the event that there is any error or misstatement of financial results which, had it been known at the time of the determination of the incentive, would have resulted in a lower payment, the Board has an option to claw back any excessive payment within three years from such event. In a bad faith event, the Board has discretion to claw back remuneration from previous years, if it is deemed appropriate.

Share ownership policy: To align the interests of the President and CEO and the Group Leadership Team with shareholders’ interests, we have a shareholding policy requiring that a minimum number of shares must be held by the executive. For the President and CEO, the requirement is to hold shares to a value equaling three times

his base salary. For the current Group Leadership Team members, the requirement is to hold shares to a value equaling two times the member’s base salary. The share ownership policy, which is effective from January 1, 2015, requires these executives to amass the requisite shareholding within five years of becoming subject to the policy. They are not permitted to sell any vesting equity awards, other than for the purposes of meeting associated tax and social security liabilities, until the shareholding requirement is satisfied.

Short-term incentives

The 2015 short-term incentive for the President and CEO is determined by the achievement against key financial targets and other strategic objectives, as defined below. Performance against these defined targets are then multiplied by a business results multiplier, which acts as a funding factor for the incentive plan for most employees, to determine the final payment.

| Minimum performance | % of base salary | | Measurement criteria |
|---------------------|--------------------|---------------------|--|
| | Target performance | Maximum performance | |
| 0% | 125% | 281.25% | 80% of the incentive is based on performance against the Nokia scorecard: <ul style="list-style-type: none">■ Non-IFRS revenue (⅓);■ Non-IFRS operating profit (⅓); and■ Net cash flow (⅓). The final 20% of the incentive is based on the achievement of personal strategic objectives given to the President and CEO by the Board. |

2015 Short-term incentive



The 2015 short-term incentive for Mr. Suri will be paid at 153.77% of the target incentive amount, which reflects the performance of Nokia across the metrics used in the plan, including Nokia’s continued progress and transformation, as reflected in his personal strategic objectives. Mr. Suri’s short-term incentive in 2014 was at a similar achievement level, albeit with a lower target incentive for the period between January and April 2014 before he became President and CEO.

Long-term incentives

Long-term incentive awards are determined by reference to the market and as a percentage of salary. The President and CEO participates in the same long-term incentive arrangements as other Nokia executives and senior managers. Additionally, Mr. Suri also participates in the Nokia Networks equity incentive plan ("Nokia Networks EIP"), which was set up in 2012 by the board of directors of Nokia Siemens Networks, prior to the acquisition by Nokia of the remaining 50% of the business and our full ownership of the Networks business, to incentivize its turnaround. The targets of the plan were set at a demanding level and payments from the plan represent the outstanding achievement of the Networks team. In 2015, 30% of the options awarded to Mr. Suri vested and were exercisable in cash under the plan rules. Mr. Suri exercised these options and realized a gain of EUR 3.24 million. The remaining 70% of the options will vest in June 2016 and Mr. Suri will have until 2018 to exercise these options. Under the plan rules, any exercise of these options will be in cash. The maximum payment under these remaining options is EUR 7.56 million, unless certain defined corporate events take place.

Pension arrangements for the President and Chief Executive Officer

The President and CEO participates in the statutory Finnish pension system, as regulated by the Finnish Employees' Pension Act (395/2006, as amended) (the "Finnish TyEL"), which provides for a retirement benefit based on years of service and earnings according to prescribed rules. No supplemental pension arrangements are provided. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, while gains realized from equity are not. Retirement benefits are available from age 63 to 68, according to an increasing scale.

Termination provisions for the President and Chief Executive Officer

Mr. Suri's service agreement specifies the different ways the agreement can be terminated and associated compensation as follows:

- **Termination by Nokia for cause:** In the event of a termination by Nokia for cause, Mr. Suri is entitled to no additional compensation and all his unvested equity awards would be forfeited;
- **Termination by Nokia for reasons other than cause:** In the event of a termination by Nokia for reasons other than cause, Mr. Suri is entitled to a severance payment equaling up to 18 months of compensation (including annual base salary, benefits, and target incentive) and his unvested equity awards would be forfeited;
- **Termination by Mr. Suri for any reason:** Mr. Suri may terminate his service agreement at any time with six months' prior notice. Mr. Suri would continue to receive either salary and benefits during the notice period or, at Nokia's discretion, a lump sum of equivalent value. Additionally, Mr. Suri would be entitled to any short- or long-term incentives that would normally vest during the notice period. Any unvested equity awards would be forfeited;

- **Termination by Mr. Suri for Nokia's material breach of the service agreement:** In the event that Mr. Suri terminates his service agreement based on a final arbitration award demonstrating Nokia's material breach of the service agreement, he is entitled to a severance payment equaling up to 18 months of compensation (including annual base salary, benefits and target incentive). Any unvested equity awards would be forfeited; or
- **Termination based on specified events:** Mr. Suri's service agreement includes special severance provisions on a termination following a change of control event. Such change of control provisions are based on a double trigger structure, which means that both a change of control event and the termination of the individual's employment within a defined period of time must take place in order for any change of control based severance payment to become payable. More specifically, if a change of control event has occurred, as defined in the service agreement, and Mr. Suri's service with Nokia is terminated either by Nokia or its successor without cause, or by Mr. Suri for "good reason", in either case within 18 months from such change of control event, Mr. Suri would be entitled to a severance payment equaling up to 18 months of compensation (including annual base salary, benefits, and target incentive) and cash payment (or payments) for the pro-rated value of his outstanding unvested equity awards, including equity awards under the Nokia Networks EIP, restricted shares, performance shares and stock options (if any), payable pursuant to the terms of the service agreement. "Good reason" referred to above includes a material reduction of Mr. Suri's compensation and a material reduction of his duties and responsibilities, as defined in the service agreement and as determined by the Board.

Additionally, the service agreement defines a specific, limited termination event that applies until June 30, 2016. Upon this event, if Mr. Suri's service with Nokia is terminated as a result of the circumstances specified in the service agreement, he is entitled to, in addition to normal severance payment payable upon his termination by Nokia for reasons other than cause, to a pro-rated value of unvested equity awards under the Nokia Networks EIP, provided that the termination of his service takes place within six months from the defined termination event (and at or prior to June 30, 2016). Subject to this limited time treatment of unvested equity awards under the Nokia Networks EIP, all of Mr. Suri's other unvested equity would be forfeited.

Mr. Suri is subject to a 12-month non-competition obligation that applies after the termination of the service agreement or the date when he is released from his obligations and responsibilities, whichever occurs earlier.

Compensation continued

Compensation of the President and Chief Executive Officer in 2015 and 2014

| EUR | 2015 | 2014 |
|--|------------------|------------------|
| Salary | 1 000 000 | 932 666 |
| Short-term variable compensation ⁽¹⁾ | 1 922 125 | 1 778 105 |
| Stock awards ⁽²⁾ | 2 843 711 | 3 759 936 |
| Payments to defined contribution retirement plans ⁽³⁾ | 491 641 | 686 206 |
| All other compensation ⁽⁴⁾ | 145 658 | 168 645 |
| Total⁽⁵⁾ | 6 403 135 | 7 325 558 |

(1) Short-term variable compensation payments are part of Nokia's short-term cash incentive plan. The amount consists of the annual incentive cash payment and/or other short-term variable compensation earned and paid or payable by Nokia for the respective fiscal year.

(2) Amounts shown represent the total grant date fair value of equity grants awarded for the respective fiscal year. The fair value of performance shares equals the estimated fair value on grant date. The estimated fair value is based on the grant date market price of a Nokia share less the present value of dividends expected to be paid during the vesting period. The value of the performance shares is presented on the basis of granted number of shares, which is two times the number of shares at threshold. The value of the 2015 stock awards with performance shares valued at maximum is (four times the number of shares at threshold) EUR 5 687 422.

(3) Pension arrangements in Finland are characterized as defined contribution pension arrangements under IAS 19, Employee benefits. Mr. Suri is a participant in the Finnish state mandated TyEL pension arrangements.

(4) All other compensation for Mr. Suri in 2015 includes: housing of EUR 47 950 (2014: EUR 63 708); EUR 48 510 for travel assistance (2014: EUR 31 576); EUR 0 for tuition of minor children (2014: EUR 34 055); tax services EUR 17 834 (2014: EUR 17 038) and EUR 31 363 for premiums paid under supplemental medical and disability insurance and for mobile phone and driver (2014: EUR 22 268).

(5) A significant portion of equity grants are tied to the performance of the company and aligned with the value delivered to shareholders. The amounts shown are representative of the value of the award at grant but are not representative of the amount that will ultimately be received when the plan vests. The ultimate value of the award will be known when the awards vest.

Equity awards to the President and Chief Executive Officer, grant date April 22, 2015:

| | |
|--|-----------|
| Performance shares at threshold number | 198 500 |
| Performance shares at maximum number | 794 000 |
| Grant date fair value EUR ⁽¹⁾ | 2 843 711 |

(1) The fair value of performance shares equals the estimated fair value of the grant date. The estimated value is based on the grant date market price of Nokia shares less the present value of dividends expected to be paid during the vesting. The value of performance shares is presented on the basis of a number of shares, which is two times the number at threshold.

The Nokia Group Leadership Team

Remuneration of the Nokia Group Leadership Team members

The remuneration of other members of the Group Leadership Team consists of base salary, fringe benefits, short-term and long-term incentives. The other members of the Group Leadership Team participate in the same reward programs, including short-term incentive and long-term incentive programs and under the same terms as other eligible employees, although, the quantum and mix of their compensation varies by role and individual. Short-term incentive plans are based on rewarding business performance and some or all of the following metrics are appropriate for their role; non-IFRS revenue, non-IFRS profit, net cash flow and strategic objectives. Long-term incentive programs are described under "Equity Compensation".

All members of the Group Leadership Team have 20% of their short-term incentive based on personal strategic objectives, at least 30% of their short-term incentive is based on the Nokia scorecard of the Nokia Group's non-IFRS revenue, non-IFRS operating profit and net cash flow and, depending on their role, they may also have business unit targets in addition based on a mix of non-IFRS revenue, non-IFRS operating profit and net cash flow.

On average, the members of the Group Leadership Team earned 140% of their target incentive amount in 2015.

Pension arrangements for the Nokia Group Leadership Team

The members of the Group Leadership Team participate in the local retirement plans applicable to employees in the country of residence. Executives based in Finland participate in the statutory Finnish pension system, as regulated by the Finnish TyEL. Refer to "Pension arrangements for the President and Chief Executive Officer" above.

Executives based in the United States participate in our US retirement savings and investment plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer's match vests for the participants annually during the first four years of their employment. Executives based in Germany participated in the 100% company funded HERE pension plan. Contributions were based on pensionable earnings, the pension table and retirement age.

Termination provisions for the Nokia Group Leadership Team members

In all cases, if an executive is dismissed for cause, no compensation will be payable and no outstanding equity will vest.

In the event of termination for any other reason than cause, where the company pays compensation in lieu of notice period's salary, benefits and target short-term incentive amounts are taken into account.

Additionally, the Board believes that maintaining a stable and effective leadership team is considered essential for protecting and enhancing the best interests of Nokia and its shareholders. In order to encourage the continued focus, dedication and continuity of the members of the Group Leadership Team to their assigned duties without the distraction that may arise from the possibility of termination of employment as a result of a specified change of control event in Nokia, certain provisions have been made available to them.

As a result some members of the Group Leadership Team have change of control agreements which serve as an addendum to their executive agreement and provide for the pro-rata settlement of outstanding equity awards as follows. The change of control agreements are based on a double trigger structure, which means that both the change of control event and the termination of the individual's employment must take place for any change of control based severance payment to materialize. More specifically, if a change of control event, as defined in the agreement, has occurred in the company, and the individual's employment with the company is terminated either by Nokia or its successor without cause, or by the individual for "good reason" (for example, material reduction of duties and responsibilities), in either case within 18 months from such change of control event, the individual will be entitled to his or her notice period compensation (including base salary, benefits and target incentive) and cash payment (or payments) for the pro-rated value of the individual's outstanding unvested equity, including restricted shares, performance shares, stock options and equity awards under Nokia Networks EIP, payable pursuant to the terms of the agreement. The Board has full discretion to terminate or amend the change of control agreements at any time. Under inherited change of control agreements for former Alcatel Lucent executives, compensation of 18 months' salary plus target incentive is payable in the event of an involuntary termination or "good reason" event should either occur within 12 months of Nokia gaining control of Alcatel Lucent. Additionally, any remaining Alcatel Lucent equity awards not already accelerated as part of the transaction would also be settled.

The Group Leadership Team in 2015:

| Name | Position held in 2015 | Appointment date |
|------------------------------|--|-------------------|
| Rajeev Suri | President and Chief Executive Officer | May 1, 2014 |
| Timo Ihamuotila | EVP, Group Chief Financial Officer | September 1, 2011 |
| Samih Elhage | EVP, Chief Financial and Operating Officer, Nokia Networks | May 1, 2014 |
| Ramzi Haidamus | President, Nokia Technologies | September 3, 2014 |
| Sean Fernback ⁽¹⁾ | President, HERE | November 1, 2014 |

(1) Until December 5, 2015.

The following compensation was paid to the Group Leadership Team (excluding the President and CEO) in 2015 and 2014, in aggregate. Compensation paid to the President and CEO is presented under “—Compensation of the President and Chief Executive Officer” above.

Compensation paid to Group Leadership Team:

| EUR | 2015 | 2014 |
|--|------------------|------------------|
| Salary | 2 149 029 | 3 461 250 |
| Short-term variable compensation ⁽¹⁾ | 2 801 131 | 1 880 115 |
| Stock awards ⁽²⁾ | 3 295 955 | 3 679 383 |
| Change in pension value and nonqualified deferred compensation earnings ⁽³⁾ | 111 203 | 73 967 |
| Payments to defined contribution retirement plans ⁽⁴⁾ | 493 027 | 311 494 |
| All other compensation ⁽⁵⁾ | 773 718 | 278 720 |
| Total⁽⁶⁾ | 9 624 063 | 9 684 929 |

(1) Short-term variable compensation payments are part of Nokia's short-term cash incentive plan. The amount consists of the annual incentive cash payment and/or other short-term variable compensation earned and paid or payable by Nokia for the respective fiscal year.

(2) Amounts shown represent the total grant date fair value of equity grants awarded for the respective fiscal year. The fair value of performance shares and restricted shares equals the estimated fair value on grant date. The estimated fair value is based on the grant date market price of a Nokia share less the present value of dividends expected to be paid during the vesting period. The value of the performance shares is presented on the basis of granted number of shares, which is two times the number of shares at threshold. The aggregate value of the 2015 stock awards with performance shares valued at maximum is (four times the number of shares at threshold) EUR 6 591 910.

(3) Pension arrangements in Germany are considered to be payments to a defined benefit plan where the pension is determined by reference to executive's base salary, age and years of service.

(4) Pension arrangements in Finland are characterized as defined contribution pension arrangements under IAS 19. Contributions are made to the state mandated TyEL plan and there are no supplementary pension arrangements. Contributions made in the US to the company 401k plan are also considered payments to defined contribution pension plans.

(5) All other compensation refers to mobility related payments or benefit programs under which executives are eligible. Additionally, in 2015, a special one-time retention arrangement related to the Sale of the HERE Business is also included under all other compensation.

(6) A significant portion of equity grants are tied to the performance of the company and aligned with the value delivered to shareholders. The amounts shown are representative of the value of the award at grant but are not representative of the amount that will ultimately be received when the plan vests. The ultimate value of the award will be known when the awards vest.

Equity awards to the other members of the Nokia Group Leadership Team during 2015

The following equity awards were made to the Group Leadership Team members (excluding the President and CEO) in 2015. Equity awards to the President and CEO are presented under “—Equity awards to the President and CEO during 2015” above.

Equity awards to Group Leadership Team, in aggregate⁽¹⁾:

| Grant date | April 22, 2015 ⁽²⁾ | July 7, 2015 |
|--|-------------------------------|--------------|
| Performance shares at threshold number | 212 500 | — |
| Performance shares at maximum number | 850 000 | — |
| Restricted shares number | — | 44 000 |
| Grant date fair value EUR | 3 044 275 | 251 680 |

(1) Excluding equity awards made to Rajeev Suri.

(2) The fair value of performance shares equals the estimated fair value of the grant date. The estimated value is based on the grant date market price of Nokia share less the present value of dividends expected to be paid during the vesting. The value of performance shares is presented on the basis of a number of shares, which is two times the number at threshold.

Compensation governance practices

The Board of Directors:

- approves and the independent members of the Board confirm the compensation of the President and CEO upon recommendation of the Personnel Committee;
- approves, upon recommendation from the Personnel Committee, any long-term incentive compensation, and all equity plans, programs or similar arrangements of significance that the company establishes for its employees; and
- decides on the issuance of shares (under authorization from shareholders) to fulfill the company's obligations under equity plans in respect of vested awards to be settled.

The Personnel Committee

As part of its responsibilities the Personnel Committee assists the Board in discharging its responsibilities relating to all compensation, including equity compensation, of the Company's executives and the terms of employment of the same, making recommendations to the Board:

- recommends to the Board the corporate goals and objectives relevant to the compensation of the President and CEO, and evaluates the performance of the President and CEO against previously established goals and objectives as well as proposes to the Board the compensation level of the President and CEO;
- reviews and approves changes to the peer group for assessment of the competitiveness of our compensation from time to time;
- approves and oversees recommendations from the President and CEO for compensation for other members of the Group Leadership Team and any other executive-level direct reports to the President and CEO;
- reviews and approves goals and objectives relevant to the compensation for other members of the Group Leadership Team and any other executive-level direct reports to the President and CEO, and reviews the results of the evaluation of their performance in relation to the approved goals and objectives;
- reviews and periodically makes recommendations to the Board regarding the operation and amendment of any long-term incentive arrangements and all equity plans;
- reviews the content of and ensuring compliance with the share ownership policy;

- recommends to the board equity grants for the President and CEO; and

- reviews and approves equity grant nominations to direct reports of the President and CEO.

Independent consultant

The Personnel Committee retains the use of Aon, an independent external consultant, to assist in the review and determination of executive compensation. The consultant works directly with the Personnel Committee and meets at least annually with the committee, without management present to provide advice on:

- market data and appropriateness of compensation information compiled by management;
- the appropriateness and competitiveness of our compensation program relative to market levels and practice; and
- executive compensation trends and developments.

The Committee has reviewed and established that the consultant that works for the Personnel Committee is independent of Nokia and does not have any other business relationships with Nokia.

President and CEO

The President and CEO plays an active role in compensation governance and performance management processes for the Group Leadership Team and the wider employee population at Nokia.

The President and CEO is not a member of the Personnel Committee and does not vote at Personnel Committee meetings nor does he participate in any conversations regarding his own compensation.

Equity compensation

Equity compensation program

A key component of executives' and senior managers' compensation is equity-based long-term incentives with the purpose of aligning the participants' interests with those of shareholders. The amount of equity as a percentage of the compensation package increases with the seniority of the role. Awards from the annual grant process are linked to the company's performance management framework and the performance of Nokia against our long-term revenue and EPS targets. Additionally, we have a restricted share plan in place, which is targeted at retention of key employees and new hires in countries where such awards are common and where we need to match local market practice to retain or hire such people.

The active equity plans in 2015 and 2016 are as follows:

| Details | Equity plan | | |
|--------------------|---|--|---|
| | Performance shares | Restricted shares | Employee share purchase plan |
| Eligible employees | Grade based eligibility | Grade based eligibility | All employees in participating countries |
| Purpose | Annual long-term incentive awards, to reward for delivery of sustainable long-term performance, align with the interests of shareholders and aid retention of key employees | Exceptional recruitment and retention | Encourage share ownership within the Nokia employee population, increasing engagement and sense of ownership in the company |
| Vesting schedule | Three year vesting period based on financial targets for two years | Vest equally in three tranches on the 1 st , 2 nd and 3 rd anniversary of grant | Matching shares vest at the end of the 12-month savings period |

Additionally in 2015, we also had outstanding awards under the 2007 and 2011 stock option plans and the Nokia Networks EIP. Stock options under the 2007 option plan lapsed on January 1, 2016. No new awards have been made under these plans since 2013. These are described in the section on legacy equity compensation programs “—Legacy equity compensation programs” below.

As of February 12, 2016, when new Nokia shares were issued as consideration for the Alcatel Lucent securities tendered into the subsequent French and/or U.S. offers, and consequently, included in the aggregate amount of Nokia shares, the aggregate maximum dilution effect of our currently outstanding equity programs, assuming that the performance shares would be delivered at maximum level and including the aggregate amount of Nokia shares, was approximately 0.86%. The potential maximum dilution effect of the equity program 2016 would approximately be an additional 1.04%, assuming delivery at maximum level for performance shares and the delivery of matching shares against the maximum amount of contributions of approximately EUR 60 million under the employee share purchase plan. Employees of Alcatel Lucent that have transferred as part of the acquisition of Alcatel Lucent are only included in equity plans under the equity program 2016.

Performance shares

The performance shares represent a commitment by us to deliver Nokia shares to employees at a future point in time, subject to our fulfillment of pre-defined performance criteria. They vest to participants after three years based on the performance of the company against its targets for the first two financial years. The Board believes the practice of a two-year performance period which gives greater predictability in a fast changing environment and supports greater alignment of underlying achievement with payments, is appropriate in the current business context. Targets are set in the context of the Board's view of the future business plans for Nokia, investor expectations and analyst forecasts, and the Board will continue to review the suitability of the two-year performance period for future years. The table below illustrates the performance criteria of the performance share plans for 2013 through to 2016. Targets are set by reference to the company's long-term plans and in the context of investment analysts' forecasts for the business.

| Performance criteria (non-IFRS) ⁽¹⁾ | 2016 | 2015 | 2014 | 2013 |
|--|------|--------------------|------|--------------------|
| Average annual net sales Nokia Group | Yes | Yes ⁽²⁾ | Yes | Yes ⁽³⁾ |
| Average annual EPS Nokia Group | Yes | Yes ⁽²⁾ | Yes | Yes |
| Minimum settlement at below threshold performance ⁽⁴⁾ | 25% | 25% | 25% | 0% |

(1) Non-IFRS measures exclude all material special items for all periods. Additionally, non-IFRS results exclude intangible asset amortization and other purchase price accounting-related items arising from business acquisitions.

(2) The Board is expected to approve an amendment to the performance condition of the performance share plan 2015 in conjunction with the publication of Nokia's Q1/2016 results announcement to reflect the new organizational structure and scope of the Nokia Group. The amendment would adjust the net sales and EPS performance targets to remove the HERE related impact for the 4th quarter of 2015 following the sale of HERE in 2015 and restate the 2016 targets based on the combined Nokia Group following the acquisition of Alcatel Lucent in January 2016.

(3) The performance condition was amended at the time of the Sale of the D&S Business to reflect the new profile of the business and different annual revenue levels of the new business. The amendment introduced a metric set on the basis of the Average Net Sales Index over the two-year performance period in replacement of the metric set on the basis of the Average Annual Net Sales Revenue. The 'Net Sales Index' relates to the final non-IFRS annual net sales achieved through the business operations of Nokia Group (excluding Nokia Networks) in relation to 2013 and for Nokia Networks, HERE and Nokia Technologies in relation to 2014, expressed as a percentage of the annual target set for each year. A separate Annual Net Sales Index will be calculated for 2013 and 2014, and the average of the two will be calculated following the close of 2014 and used, in part, to determine the final payout under the Plan, which will occur after the one-year restriction period in 2016.

(4) In 2014, a minimum payout level was introduced to reinforce the retentive impact of the plan by giving some certainty to remaining employees during the transformation of Nokia following the Sale of the D&S Business and integration of the Nokia Networks business.

Until the shares have vested and been delivered to the participants, they carry no voting or dividend rights. The performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Compensation continued

Performance share plan 2016

In accordance with the previous year's practice, the primary equity instruments granted to executive employees and employees below the executive level are performance shares. The number of performance shares to be settled after the restriction period will start at 25% of the grant amount of 25 500 000 Nokia shares and any pay-out beyond this will be determined with reference to the financial performance against the established performance criteria during the two-year performance period. The grant under the performance share plan could result in an aggregate maximum payout of 51 000 000 Nokia shares, in the event that maximum performance against all the performance criteria is achieved.

The performance share plan 2016 has a three year vesting period and the performance of the plan is based on a two-year performance period (2016 and 2017). The shares will vest on January 1, 2019. The Board have continued with the practice of the two-year performance period which gives greater predictability in a fast changing environment and supports greater alignment of underlying achievement with payments. Targets are set in the context of the Board's view of the future business plans for Nokia and investor expectations and analyst forecasts and the Board will continue to review the suitability of the two-year performance period for future years. The Board is expected to approve the performance criteria targets of the performance share plan 2016 in conjunction with the publication of its Q1/2016 results announcement. The approval of the targets will be made later this year than in previous years in order to be able to consider all relevant financial information available for the new combined Nokia group so that targets are set appropriately.

The remuneration statement required by the Finnish Corporate Governance Code will be updated to include the performance targets once the targets have been approved.

| Performance criterion | Weighting | Threshold performance ⁽²⁾ | Maximum performance ⁽²⁾ | Potential range of settlement |
|---|-----------|--------------------------------------|------------------------------------|---|
| Nokia average annual non-IFRS ⁽¹⁾ net sales during January 1, 2016—December 31, 2017 | 50% | * | * | Threshold number up to maximum level (4 x Threshold number) |
| Nokia average annual non-IFRS ⁽¹⁾ EPS during January 1, 2016—December 31, 2017 | 50% | * | * | Threshold number up to maximum level (4 x Threshold number) |

(1) Non-IFRS measures 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.

(2) The Board is expected to approve the performance criteria targets of the performance share plan 2016 in conjunction with the publication of its Q1/2016 results announcement.

Achievement of the maximum performance for all criteria would result in the vesting of a maximum of 51 000 000 Nokia shares. Achievements beyond the maximum performance level will not cause any further shares to vest. Achievement of the threshold performance for all criteria will result in the vesting of approximately 12 750 000 shares. Minimum payout under the plan, even if threshold performance is not achieved, is 6 375 000 shares attributable to the 25% minimum payout. Until Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with these performance shares.

Restricted shares

In 2015, restricted shares were used on a selective basis to ensure retention and recruitment of individuals deemed critical to our future success. The restricted shares vest in three equal tranches on the first, second and the third anniversary of the award subject to continued employment with Nokia.

In 2016, restricted shares are granted on a limited basis or exceptional purposes related to retention and recruitment, primarily in the United States, to ensure we are able to retain and recruit vital talent for the future success of Nokia. Restricted share awards made prior to 2015 vested in one tranche on the third anniversary of the date of grant. Until the shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the restricted shares.

Employee share purchase plan

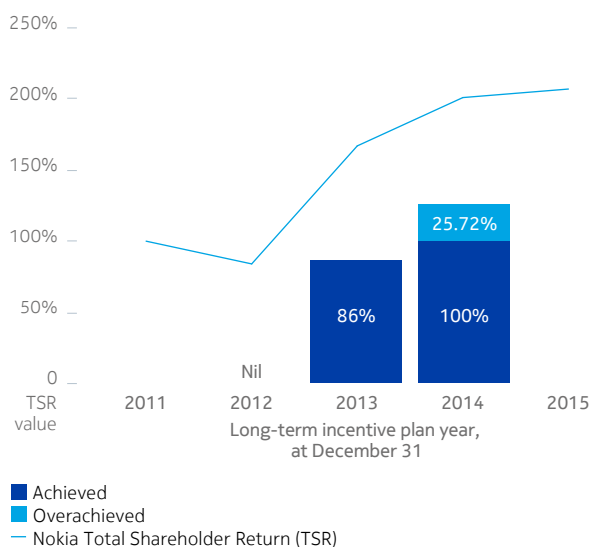
Under our employee share purchase plan, eligible employees can elect to make monthly contributions from their salary to purchase Nokia shares. The contribution per employee cannot exceed EUR 1 200 per year. The share purchases are made at market value on predetermined dates on a monthly basis during a 12-month savings period. Nokia will offer one matching share for every two purchased shares the employee still holds after the last monthly purchase has been made following the end of the 12-month savings period. Participation in the plan is voluntary to all employees in countries where the plan is offered. In addition, to welcome employees of Alcatel Lucent who have transferred to Nokia as part of the acquisition of Alcatel Lucent and to mark the beginning of the new Nokia Group, Nokia intends to offer 20 free shares for every participant making the first three consecutive share purchases in 2016.

Performance of previous equity programs

The recently vested performance share plan 2013 is the first to achieve above-threshold performance for some years, such that 86.25% of the target award granted to participants vesting on January 1, 2016, with diluted EPS for Continuing operations increasing from negative EUR (0.16) to EUR 0.67 from the fiscal year 2012 to 2014, including the two year performance period (2013–2014) of the plan.

The new strategy for Nokia delivered in 2014 with the focus on networks and the IoT has seen an increase in value for shareholders and a corresponding change in the performance of long-term incentive plans. In addition to the performance share plan 2013 achieving 86.25% of its target, the 2014 plan has achieved 125.72% and will vest to participants on January 1, 2017. In the same period the share price of Nokia has increased from EUR 3.49 per share on January 1, 2013 to EUR 6.60 on December 31, 2015 representing an increase of 89% and we have restored dividend payments.

Share price and Total Shareholder Return vs long-term incentive performance



Legacy equity compensation programs

Stock options

Although the granting of stock options ceased at the end of 2013, awards under the 2011 stock option plans remain in force. Stock options under the 2007 stock option plan lapsed on January 1, 2016 and no new Nokia shares can be subscribed for with the stock options awarded under the 2007 stock option plan.

Under the plans, each stock option entitles the holder to subscribe for one new Nokia share and the stock options are non-transferable and may be exercised for shares only. The difference between the two plans is in the vesting schedule as follows:

| Plan | Vesting schedule |
|------------------------|--|
| 2007 stock option plan | <ul style="list-style-type: none"> 25% 12 months after grant 6.25% each quarter thereafter Lapsed on January 1, 2016 |
| 2011 stock option plan | <ul style="list-style-type: none"> 50% on third anniversary of grant 50% on fourth anniversary of grant Term is approximately six years |

Shares will be eligible for dividends in respect of the financial year in which the share subscription takes place. Other shareholder rights will commence on the date on which the subscribed shares are entered in the trade register. The stock option grants are generally forfeited if the employment relationship terminates with Nokia.

Nokia Networks Equity Incentive Plan

The Nokia Networks EIP was established in 2012 by the board of Nokia Siemens Networks prior to Nokia's acquisition of full ownership of the Nokia Networks business. Under this Plan options over Nokia Solutions and Networks B.V. shares were granted to Mr. Suri and approximately 65 other Nokia Networks employees.

At that time, both Nokia and Siemens were considering a potential exit from Nokia Siemens Networks. The plan had two objectives:

- (1) increase the value of Nokia Networks; and
- (2) create an exit option for its parent companies. With the significantly improved performance of Nokia Networks, the first objective has been met. The second objective has not occurred and given the change in our strategy, the likelihood of a sale or an initial public offering ("IPO") has diminished.

The exercise price of the options is based on a Nokia Networks share value on grant, as determined for the purposes of the Nokia Networks EIP. The options will be cash-settled at exercise, unless an IPO has taken place, at which point they would be converted into equity-settled options.

The targets of the plan were set at a demanding level and payments from the plan represent the outstanding achievement of the Networks team. The actual payments, if any, under the Nokia Networks EIP will be determined based on the value of the Nokia Networks business and could ultimately decline to zero if the value of the business falls below a certain level. There is also a cap that limits potential gain for all plan participants.

If the second objective of the plan is not achieved and there is no exit event, options are cash-settled and the holder will be entitled to half of the share appreciation based on the exercise price and the estimated value of shares on the exercise date. In the unlikely event of an IPO or exit event the holder is entitled to the full value of the share appreciation. As the likelihood of a sale or IPO has reduced, the value of any payouts under the Nokia Networks EIP is expected to be reduced by 50%.

In the event that a sale or an IPO has not occurred, the maximum total payment to Mr. Suri pursuant to the plan would be limited to EUR 10.8 million. In the unlikely event of an IPO or exit event, the value of the options could exceed this maximum.

30% of the options became exercisable on the third anniversary of the grant date with the remainder vesting on the fourth anniversary or, if earlier, all the options will vest on the occurrence of certain corporate transactions such as an initial public offering (Refer to "Corporate Transaction" above).

If a Corporate Transaction has not taken place by the sixth anniversary of the grant date, the options will be cashed out. If an IPO has taken place, equity-settled options remain exercisable until the tenth anniversary of the grant date.

Compensation continued

Alcatel Lucent liquidity agreements

Nokia, Alcatel Lucent and certain beneficiaries of Alcatel Lucent stock option and performance share plans have entered into liquidity agreements, pursuant to which the Alcatel Lucent performance shares, or the Alcatel Lucent shares resulting from the stock options exercises, would be exchanged to for either (i) Nokia shares according to an exchange ratio of 0.55 Nokia shares for each Alcatel Lucent share, or for (ii) a cash amount equivalent to the market value of such Nokia shares, provided in any case that a reduced liquidity event has occurred. A reduced liquidity was acknowledged on February 12, 2016 in respect of Alcatel Lucent shares. The choice for the settlement in cash or in Nokia shares is at Nokia's sole discretion, subject to the possible applicable legal, regulatory or other local constraints.

The exchange ratio of 0.55 is subject to some adjustments in the event of financial transactions of Nokia or Alcatel Lucent, in order to allow the holders of stock options or the recipients of performance shares to obtain the same value in Nokia shares or in cash which they would have obtained had such transactions not taken place. Liquidity agreements have been offered also to current Group Leadership Team members who held Alcatel Lucent stock options or performance shares that were eligible for liquidity agreements.

Share ownership of the Board of Directors, the President and Chief Executive Officer and the Nokia Group Leadership Team

General

The following section describes the ownership or potential ownership interest in Nokia of the members of our Board, the President and CEO and, on aggregate level, the Group Leadership Team at December 31, 2015, either through share ownership or, with respect to the President and CEO and the Group Leadership Team, through holding of equity-based incentives, which may lead to share ownership in the future.

With respect to the Board, approximately 40% of director compensation is paid in the form of Nokia shares that are purchased from the market or, alternatively, by using treasury shares held by Nokia. The remainder of the remuneration, approximately 60%, is paid in cash, most of which is typically used to cover related taxes. It is also our policy that the directors retain until the end of their directorship the net after-tax number of shares that they have received as remuneration for their duties as members of the Board during their first three years of service. Additionally, it is our policy that non-executive members of the Board do not participate in any of Nokia's equity programs and do not receive stock options, performance shares, restricted shares or any other equity-based or otherwise variable compensation for their duties as Board members.

For a description of the remuneration of our Board members, refer to "—Board of Directors" above.

The President and CEO receives equity-based compensation primarily in the form of performance shares. Stock options are no longer granted and restricted shares are only granted in exceptional circumstances. For a description of our equity-based compensation programs for employees and executives, refer to "—Equity compensation" above.

Share ownership of the Board of Directors

At December 31, 2015, the members of our Board held the aggregate of 1 414 445 shares and ADSs in Nokia, which represented 0.04% of our outstanding shares and total voting rights excluding shares held by Nokia Group at that date.

The following table sets forth the number of shares and ADSs held by the members of the Board at December 31, 2015:

| Name ⁽¹⁾ | Shares ⁽¹⁾ | ADSs ⁽¹⁾ |
|---------------------|-----------------------|---------------------|
| Risto Siilasmaa | 992 334 | — |
| Vivek Badrinath | 19 255 | — |
| Bruce Brown | — | 74 847 |
| Elizabeth Doherty | 30 754 | — |
| Simon Jiang | 8 666 | — |
| Jouko Karvinen | 72 723 | — |
| Elizabeth Nelson | — | 87 308 |
| Kari Stadigh | 128 558 | — |

(1) The number of shares or ADSs includes not only shares or ADSs received as director compensation, but also shares or ADSs acquired through any other means. Stock options or other equity awards that are deemed as being beneficially owned under the applicable SEC rules are not included. For the number of shares or ADSs received as director compensation, refer to Note 34, Related party transactions, of our consolidated financial statements included in this annual report.

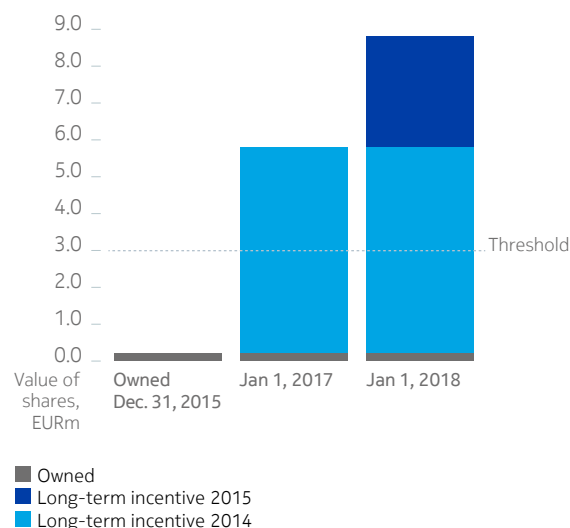
Share ownership of the President and Chief Executive Officer and the Nokia Group Leadership Team

The following table sets forth the share ownership of the President and CEO, and the Group Leadership Team members in office, in aggregate, at December 31, 2015. The share ownership of all members of the Group Leadership Team, including Mr. Suri, was approximately 0.01% of the outstanding shares of the company at December 31, 2015. The share ownership requirement of the President and CEO as well as the Group Leadership Team members is described under "—Variable pay" above.

| | Beneficially owned shares number |
|--|----------------------------------|
| Rajeev Suri, President and CEO | 29 722 |
| Other members of the Group Leadership Team, in aggregate | 200 055 |

In addition to the 29 722 shares held by Mr. Suri, there are a number of unvested performance shares that are expected to vest in the coming years. The performance of the performance share plan 2014 is now known and 125.72% of the target award is expected to vest on January 1, 2017. The chart below shows the expected value of shares valued at EUR 6.60 on December 31, 2015 compared to the shareholding requirement for Mr. Suri. Unvested performance shares under the performance share plan 2015 are valued below at "on target" performance until the final performance level of the plan is known. Subject to the terms and conditions of the long-term incentive plans and the potential sale of vesting share awards to meet associated tax liabilities, it is expected that Mr. Suri will meet the shareholding requirements within the next 12 months.

Shareholding target and awards held by the President and CEO of Nokia



1. Valued at EUR 6.60 per share as at December 31, 2015.
2. Projections do not take into account any potential sales of shares to meet tax associated liabilities.
3. Subject to disposals to meet tax liabilities it is expected that the President and CEO will meet the shareholding requirements of Nokia when the long-term incentive 2014 awards vest assuming that they vest at or above target.

Unvested Equity awards held by the President and Chief Executive Officer at December 31, 2015

The following table provides certain information relating to performance shares held by the President and CEO at December 31, 2015. These entitlements were granted pursuant to our performance share plans 2014 and 2015. The 2014 performance share plan will vest on January 1, 2017, and is expected to vest at 125.72% of the target award. For a description of our performance share plans, refer to Note 25, Share based payment, of our consolidated financial statements included in this annual report.

Performance shares:

| | Shares receivable through performance shares at threshold | Shares receivable through performance shares at maximum ⁽¹⁾ |
|--|---|--|
| Number of unvested equity awards held by the President and CEO | 538 520 | 2 154 078 |

- (1) At maximum performance under the performance share plans 2014 and 2015, the number of shares deliverable equals four times the number of performance shares at threshold. The performance period for the performance share plan 2014 ended on December 31, 2015, and the threshold performance criteria for net sales and EPS were met and a settlement to the participants will occur in accordance with the plan in 2017.

Other share-based awards

Additionally, Mr. Suri holds options under the Nokia Networks EIP as described under “—Long-term incentives” above.

Unvested equity awards held by the Nokia Group Leadership Team at December 31, 2015

The following table sets forth the potential ownership interest through the holding of equity-based incentives of the Nokia Group Leadership Team, including the President and CEO.

| | Shares receivable through stock options | Shares receivable through performance shares at threshold | Shares receivable through performance shares at maximum ⁽⁴⁾ | Shares receivable through restricted shares |
|---|---|---|--|---|
| Number of unvested equity awards held by the Group Leadership Team ⁽¹⁾ | 565 000 | 1 108 462 | 4 433 846 | 206 164 |
| % of the outstanding shares ⁽²⁾ | 0.01% | 0.03% | 0.11% | 0.01% |
| % of the total outstanding equity incentives (per instrument) ⁽³⁾ | 15.52% | 9.67% | 9.67% | 9.80% |

- (1) Includes the four Group Leadership Team members in office at year-end 2015.
- (2) The percentages are calculated in relation to the outstanding number of shares and total voting rights of Nokia at December 31, 2015, excluding shares held by Nokia Group. No member of the Group Leadership Team owns more than 1% of the Nokia shares.
- (3) The percentages are calculated in relation to the total outstanding equity incentives per instrument.
- (4) At maximum performance under the performance share plans 2014 and 2015, the number of shares deliverable equals four times the number of performance shares at threshold. The performance period for the performance share plan 2014 ended on December 31, 2015, and the threshold performance criteria for net sales and EPS were met and a settlement to the participants will occur in accordance with the plan in 2017.

Insider trading in securities

The Board has established a policy in respect of insiders' trading in Nokia securities (“Insider Policy”). Under the Insider Policy, the holdings of Nokia securities by the members of the Board and the Group Leadership Team are considered public information. Nokia insiders (as defined in the Insider Policy) are subject to certain trading restrictions and rules, including, among other things, prohibitions on trading in Nokia securities during the 30-calendar day “closed-window” period immediately preceding the release of our interim and annual results including the day of the release. Nokia can also set trading restrictions based on participation in projects. We update our Insider Policy from time to time and provide training to ensure compliance with the policy. Nokia's Insider Policy is in line with the Nasdaq Helsinki Guidelines for Insiders and also sets requirements beyond those guidelines.

Other related party transactions

Other than the paid compensation, as described above, there have been no material transactions during the last three fiscal years to which any director, executive officer or 5% shareholder, or any relative or spouse of any of them, was a party. There is no significant outstanding indebtedness owed to Nokia by any director, executive officer or 5% shareholder.

There are no material transactions with enterprises controlling, controlled by or under common control with Nokia or associates of Nokia. Refer to Note 34, Related party transactions, of our consolidated financial statements included in this annual report.

2015 marked our anniversary as a 150-year old company, being yet another year of fundamental change for us

Contents

| | |
|--|-----|
| History of Nokia | 104 |
| Memorandum and Articles of Association | 106 |
| Selected financial data | 108 |
| Shares and shareholders | 110 |
| Production of infrastructure equipment and products | 117 |
| Key ratios | 118 |

General facts on Nokia

History of Nokia

We have a long history of successful change and innovation, adapting to shifts in markets and technologies. From the beginning as one wood pulp mill in 1865, we have been part of many sectors over time: cables, paper products, tires, rubber boots, consumer and industrial electronics, plastics, chemicals, telecommunications infrastructure and more. From the mid-1990s to 2014, we were widely known for our mobile phones, which reached all parts of the globe. In April 2014, we began the next chapter in our history with the Sale of the D&S Business. Reinventing ourselves once again, we changed our course and announced that our strategy would focus on seizing opportunities in the connected world, a world in which billions of devices and sensors are connected to each other and to the internet.

The year 2015 marked our anniversary as a 150-year old company, being yet another year of fundamental change for us as we took a major step forward as the company shaping the revolution in connectivity and digitization in the connected world.

150 years of reinvention

Regulatory and technological reforms have played a role in our success over the years. The deregulation of the European telecommunications industries stimulated competition and boosted customer demand. In 1982, we introduced the first fully digital local telephone exchange in Europe, and, in the same year, the world's first car phone for the Nordic Mobile Telephone analog standard. The technological breakthrough of GSM, which made more efficient use of frequencies and had greater capacity, in addition to high-quality sound, was followed by the 1987 European resolution to adopt GSM as the European digital standard. On July 1, 1991, the first GSM call was made with a Nokia phone over the Nokia-built network of a Finnish operator called Radiolinja, and in the same year, we won agreements to supply GSM networks to other European countries.

In the early 1990s, we made a strategic decision to focus on telecommunications as our core business, with the goal of establishing leadership in every major global market. Basic industry and non-telecommunications operations—including paper, personal computers, rubber, footwear, chemicals, power plant, cable, aluminum and television businesses—were divested between 1989 and 1996. By 1998, we were the world leader in mobile phones, a position we held for more than a decade.

In 2006, having already been investing in mapping capabilities for many years, we acquired Gate5, a mapping software specialist, and then in 2008 we acquired NAVTEQ, a US-based manufacturer of digital mapping and navigational software. We offered leading location services through the HERE business and brand, launched in 2012. The HERE business was sold to a German automotive industry consortium in December 2015.

In 2007, we combined our telecommunications infrastructure operations with those of Siemens to form a joint venture named Nokia Siemens Networks, also known as NSN. NSN became a leading global provider of telecommunications infrastructure and services, with a focus on offering innovative mobile broadband technology and services.

In 2011, we joined forces with Microsoft to strengthen our position in the highly competitive smartphone market. We adopted the Windows Phone operating system for smart devices and smartphones and, through the strategic partnership, Nokia and Microsoft set about establishing an alternative ecosystem to rival iOS and Android. In 2011, we also started to make a number of changes to our operations and company culture that would in the course of the next two years lead to shortened product development times, improved product quality and better responsiveness to market demand.

In 2013, we moved to reinvent ourselves once more, with two transformative transactions. The first was the purchase of Siemens' stake in NSN, which was nearing the end of a deep restructuring and remarkable transformation. The second was the announcement of the Sale of the D&S Business. The Microsoft transaction was announced on September 3, 2013 and was completed on April 25, 2014, following which we relocated our headquarters to the Karaportti campus in Espoo, Finland.

In April 2015, we announced the acquisition of Alcatel Lucent, in a deal that closed in early January 2016 and made us the leading player in multiple technology categories, including LTE, fixed and optical networks as well as IP routing.

In 2015, we also sold our HERE digital mapping and location services business to a German automotive industry consortium, another indication of our plan to focus on seizing the major opportunities to improve how we access and tap the power of connectivity to positively impact people's lives each day.

The rapidly evolving world of technology provides the context for our vision and strategy. With the acquisition of Alcatel Lucent, we have the innovation capability, portfolio, and global scale to lead in shaping and deploying the technologies that are at the heart of an increasingly connected world. We are leveraging the strength of our complete and converged portfolio of network infrastructure, software, services and advanced technologies, to help our customers—telecommunications operators, governments, enterprises and webscale players—meet the challenges and capture the opportunity from an industry in transition. With these strong assets, we are ready for the next chapter in our 150-year history.

Today, our Networks business is conducted through four business groups: Mobile Networks, Fixed Networks, IP/Optical Networks and Applications & Analytics. These business groups bring together deep expertise and leadership that span the key network technology areas: smart products and innovative services for mobile, fixed and IP networks, and beyond. Additionally, the Networks business is supported by Bell Labs and Services.

Nokia Technologies' patents business manages one of the broadest and strongest IP portfolios in the industry, comprised of approximately 9 900 patent families made up of approximately 30 000 granted patents and applications.

Bell Labs supplements and complements Nokia Technologies' innovation capacity efforts. Bell Labs is focused on finding solutions to problems in information and communication technology that require a 10x improvement in the key dimensions of the network, to solve problems that have the potential to fundamentally change the way we communicate, and that reimagine what the world will be like a decade from now.

Bell Labs is pioneering the Future X projects, which are thirteen distinct new technology solutions—each of these aims to ensure that tomorrow's networks will be high-performing, low-cost, efficient, personalized and always-on.

The Sale of the HERE Business

The HERE digital mapping and location services business, an arena we entered in 2006, was a pillar of our operational performance. But in 2015, the Nokia Board held a strategic review of the business in light of plans to purchase Alcatel Lucent. The result of that meeting led us to selling the HERE business in a deal agreed with a German automotive industry consortium valued at EUR 2.8 billion.

The deal was announced August 3, 2015 and closed on December 4, 2015.

Acquisition of Alcatel Lucent

We announced plans to acquire Alcatel Lucent on April 15, 2015, in an all-share transaction valued at EUR 15.6 billion on a fully diluted basis, to create an innovation leader in next generation technology and services. The deal was agreed on the basis of EUR 0.55 of a new Nokia share for every Alcatel Lucent share.

On January 4 and 5, 2016, we published and confirmed that we had gained control of Alcatel Lucent through the successful public exchange offer for all outstanding Alcatel Lucent securities by holding nearly 80% of outstanding Alcatel Lucent securities. Nokia shareholders voted overwhelmingly at the end of 2015 to approve the Alcatel Lucent acquisition. The transaction was settled on January 7, 2016.

The addition of Alcatel Lucent opens up abundant opportunities for us.

Our total addressable market—including mobile radio network, fixed access network, core network and IP routing, and analytics—increased to around EUR 141 billion, an almost 50% increase relative to the slower-growing addressable market we faced before the Alcatel Lucent addition.

Alcatel Lucent gives us the opportunity to cross-sell and upsell our expanded portfolio, and better leverage our global sales channel. From a geographic perspective, we gain a much stronger position in many regions. In North America we have become the market leader; in China we are the largest vendor headquartered outside the country; and in Europe, Latin America and the Middle East and Africa we have roughly doubled our size.

The acquisition has given us a total of more than 40 000 research scientists and engineers focused on inventing and deploying technologies that are shaping the future of the connected world: 5G, Cloud-based networks, IP routing, optical fiber transport and data analytics. Our combined R&D expenses of EUR 4.5 billion in 2015 also supports near and longer term scientific research at Bell Labs—building a strong platform for putting us ahead of the competition.

General facts on Nokia continued

Memorandum and Articles of Association

Registration

Nokia is organized under the laws of the Republic of Finland and registered under the business identity code 0112038-9. Under its current Articles of Association, Nokia's corporate purpose is to research, develop, manufacture, market, sell and deliver products, software and services in a wide range of consumer and business-to-business markets. These products, software and services relate to, among others, network infrastructure for telecommunication operators and other enterprises, the IoT, human health and well-being, multi-media, big data and analytics, mobile devices and consumer wearables and other electronics. The company may also create, acquire and license intellectual property and software as well as engage in other industrial and commercial operations, including securities trading and other investment activities. The company may carry on its business operations directly, through subsidiary companies, affiliate companies and joint ventures.

Director's voting powers

Under Finnish law, resolutions of the Board shall be made by a majority vote. A director shall refrain from taking any part in the consideration of an agreement between the director and the company or third party, or any other issue that may provide any material benefit to him or her, which may be contradictory to the interests of the company. Under Finnish law, there is no age limit requirement for directors, and there are no requirements under Finnish law that a director must own a minimum number of shares in order to qualify to act as a director. However, our Board has established a guideline retirement age of 70 years for the members of the Board and the Corporate Governance and Nomination Committee will not without specific reason propose re-election of a person who has reached 70 years of age. Additionally, in accordance with the current company policy, approximately 40% of the annual remuneration payable to the Board members is paid in Nokia shares purchased from the market, and the directors shall retain until the end of their directorship such number of shares that corresponds to the number of shares they have received as Board remuneration during their first three years of service (the net amount received after deducting those shares used for offsetting any costs relating to the acquisition of the shares, including taxes).

Share rights, preferences and restrictions

Each share confers the right to one vote at general meetings. According to Finnish law, a company generally must hold an Annual General Meeting called by the Board within six months from the end of the fiscal year. Additionally, the Board is obliged to call an Extraordinary General Meeting, whenever such meeting is deemed necessary, or at the request of the auditor or shareholders representing a minimum of one-tenth of all outstanding shares. Under our Articles of Association, the Board is elected at least annually at the Annual General Meeting of the shareholders for a term ending at the end of the next Annual General Meeting.

Under Finnish law, shareholders may attend and vote at general meetings in person or by proxy. It is not customary in Finland for a company to issue forms of proxy to its shareholders. Accordingly, Nokia does not do so. However, registered holders and beneficial owners of ADSs are issued forms of proxy by the Depositary.

To attend and vote at a general meeting, a shareholder must be registered in the register of shareholders in the Finnish book-entry system on or prior to the record date set forth in the notice of the general meeting. A registered holder or a beneficial owner of the ADSs, like other beneficial owners whose shares are registered in the company's register of shareholders in the name of a nominee, may vote with their shares provided that they arrange to have their name entered in the temporary register of shareholders for the general meeting.

The record date is the eighth business day preceding the meeting. To be entered in the temporary register of shareholders for the general meeting, a holder of ADSs must provide the Depositary, or have his broker or other custodian provide the Depositary, on or before the voting deadline, as defined in the proxy material issued by the Depositary, a proxy with the following information: the name, address, and social security number or another corresponding personal identification number of the holder of the ADSs, the number of shares to be voted by the holder of the ADSs and the voting instructions. The register of shareholders as of the record date of each general meeting is public until the end of the respective meeting. Other nominee registered shareholders can attend and vote at the general meetings by instructing their broker or other custodian to register the shareholder in Nokia's temporary register of shareholders and give the voting instructions in accordance with the broker's or custodian's instructions.

By completing and returning the form of proxy provided by the Depositary, a holder of ADSs also authorizes the Depositary to give a notice to us, required by our Articles of Association, of the holder's intention to attend the general meeting.

Each of our shares confers equal rights to share in the distribution of the company's funds. For a description of dividend rights attaching to our shares, refer to "—Shares and shareholders". Dividend entitlement lapses after three years if a dividend remains unclaimed for that period, in which case the unclaimed dividend will be retained by Nokia.

Under Finnish law, the rights of shareholders related to the shares as set forth in law and our Articles of Association. Finnish law or our Articles of Association do not set limitations on the rights to own Nokia securities, including the rights of foreign shareholders to hold or exercise voting rights on the said securities. Amendment of the Articles of Association requires a decision of the general meeting, supported by two-thirds of the votes cast and two-thirds of the shares represented at the meeting.

Disclosure of shareholder ownership or voting power

According to the Finnish Securities Market Act, which entered into force on January 1, 2013, a shareholder shall disclose their ownership or voting power to the company and the Finnish Financial Supervisory Authority when the ownership or voting power reaches, exceeds or falls below 5, 10, 15, 20, 25, 30, 50 or 90% of all the shares or the voting rights outstanding. The term "ownership" includes ownership by the shareholder, as well as selected related parties, and calculating the ownership or voting power covers agreements or other arrangements, which when concluded would cause the proportion of voting rights or number of shares to reach, exceed or fall below the aforementioned limits. Upon receiving such notice, the company shall disclose it by a stock exchange release without undue delay.

Purchase obligation

Our Articles of Association require a shareholder that holds one-third or one-half of all of our shares to purchase the shares of all other shareholders that so request, at a price generally based on the historical weighted average trading price of the shares. A shareholder who becomes subject to the purchase obligation is also obligated to purchase any subscription rights, stock options or convertible bonds issued by the company if so requested by the holder. The purchase price of the shares under our Articles of Association is the higher of: (a) the weighted average trading price of the shares on Nasdaq Helsinki during the ten business days prior to the day on which we have been notified by the purchaser that its holding has reached or exceeded the threshold referred to above or, in the absence of such notification or its failure to arrive within the specified period, the day on which our Board otherwise becomes aware of this; or (b) the average price, weighted by the number of shares, which the purchaser has paid for the shares it has acquired during the last 12 months preceding the date referred to in (a).

Under the Finnish Securities Market Act, a shareholder whose voting power exceeds 30% or 50% of the total voting rights in a company shall, within one month, offer to purchase the remaining shares of the company, as well as any other rights entitling to the shares issued by the company, such as subscription rights, convertible bonds or stock options issued by the company. The purchase price shall be the market price of the securities in question. The market price is determined on the basis of the highest price paid for the security during the preceding six months by the shareholder or any party in close connection to the shareholder. This price can be deviated from for a specific reason. If the shareholder or any related party has not during the six months preceding the offer acquired any securities that are the target for the offer, the market price is determined based on the average of the prices paid for the security in public trading during the preceding three months weighted by the volume of trade. This price can be deviated from for a specific reason.

Under the Finnish Companies Act, a shareholder whose holding exceeds nine-tenths of the total number of shares or voting rights in Nokia has both the right and, upon a request from the minority shareholders, the obligation to purchase all the shares of the minority shareholders for the current market price. The market price is determined, among other things, on the basis of the recent market price of the shares. The purchase procedure under the Finnish Companies Act differs, and the purchase price may differ, from the purchase procedure and price under the Finnish Securities Market Act, as discussed above. However, if the threshold of nine-tenths has been exceeded through either a mandatory or a voluntary public offer pursuant to the Finnish Securities Market Act, the market price under the Finnish Companies Act is deemed to be the price offered in the public offer, unless there are specific reasons to deviate from it.

Pre-emptive rights

In connection with any offering of shares, the existing shareholders have a pre-emptive right to subscribe for shares offered in proportion to the amount of shares in their possession. However, a general meeting of shareholders may vote, by a majority of two-thirds of the votes cast and two-thirds of the shares represented at the meeting, to waive this pre-emptive right provided that, from the company's perspective, weighty financial grounds exist.

Under the Finnish Act on the Monitoring of Foreign Corporate Acquisitions (2012/172 as amended), a notification to the Ministry of Employment and the Economy is required for a non-resident of Finland, directly or indirectly, when acquiring one-tenth or more of the voting power or corresponding factual influence in a company. The Ministry of Employment and the Economy has to confirm the acquisition unless the acquisition would jeopardize important national interests, in which case the matter is referred to the Council of State. If the company in question is operating in the defense sector, an approval by the Ministry of Employment and the Economy is required before the acquisition is made. These requirements are not applicable if, for instance, the voting power is acquired in a share issue that is proportional to the holder's ownership of the shares. Moreover, the requirements do not apply to residents of countries in the European Economic Area or EFTA countries.

General facts on Nokia continued

Selected financial data

The financial data set forth below at and for the years ended December 31, 2015 and 2014 and for each of the years in the three-year period ended December 31, 2015 has been derived from our audited consolidated financial statements included in this annual report. Financial data at December 31, 2013 has been derived from our historical audited consolidated financial statements not included in this annual report. The financial data at December 31, 2015 and 2014 and for each of the years in the three-year period ended December 31, 2015 should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements.

| | 2015 | 2014 | 2013 |
|--|--|---------|---------|
| For the year ended December 31 | (in EURm, except for percentage and personnel data) | | |
| From the consolidated income statement – Continuing operations | | | |
| Net sales | 12 499 | 11 762 | 11 795 |
| Change % | 6.3% | (0.3%) | (17.5%) |
| Operating profit | 1 688 | 1 412 | 672 |
| % of net sales | 13.5% | 12.0% | 5.7% |
| Financial income and expenses, net | (177) | (401) | (277) |
| Profit before tax | 1 540 | 999 | 399 |
| Income tax (expense)/benefit | (346) | 1 719 | (271) |
| Profit attributable to equity holders of the parent | 1 192 | 2 710 | 273 |
| Profit/ (loss) attributable to non-controlling interests | 2 | 8 | (145) |
| Profit from Continuing operations | 1 194 | 2 718 | 128 |
| Earnings per share (for profit attributable to equity holders of the parent) | | | |
| Basic earnings per share, EUR | 0.32 | 0.73 | 0.07 |
| Diluted earnings per share, EUR | 0.31 | 0.67 | 0.07 |
| From the statement of financial position | | | |
| Non-current assets | 5 102 | 7 339 | 6 048 |
| Cash and other liquid assets ⁽¹⁾ | 9 849 | 7 715 | 8 971 |
| Other current assets | 5 975 | 6 009 | 4 825 |
| Assets held for sale and assets of disposal groups classified as held for sale | – | – | 5 347 |
| Total assets | 20 926 | 21 063 | 25 191 |
| Capital and reserves attributable to equity holders of the parent | 10 503 | 8 611 | 6 468 |
| Non-controlling interests | 21 | 58 | 192 |
| Non-interest bearing liabilities ⁽²⁾ | 8 328 | 9 702 | 7 141 |
| Interest-bearing liabilities ⁽³⁾ | 2 074 | 2 692 | 6 662 |
| Liabilities of disposal groups classified as held for sale | – | – | 4 728 |
| Total equity and liabilities | 20 926 | 21 063 | 25 191 |
| Other information | | | |
| Research and development expenses | 2 126 | 1 948 | 1 970 |
| % of net sales | 17.0% | 16.6% | 16.7% |
| Capital expenditures ⁽⁴⁾ | 278 | 254 | 174 |
| % of net sales | 2.2% | 2.2% | 1.5% |
| Salaries and social expenses | (3 738) | (3 381) | (3 635) |
| Average number of employees | 56 690 | 51 499 | 53 436 |
| Key financial indicators | | | |
| Cash dividends per share, EUR ⁽⁵⁾ | 0.26 | 0.14 | 0.37 |
| Dividends ⁽⁶⁾ | 1 488 | 511 | 1 374 |
| Return of capital employed, % | 14.1% | 11.2% | 5.0% |
| Return on shareholders' equity, % | 12.5% | 35.9% | 3.8% |
| Equity ratio, % | 59.0% | 49.3% | 28.1% |
| Net debt to equity (gearing), % | (73.9%) | (57.9%) | (34.7%) |
| Net cash | 7 775 | 5 023 | 2 309 |
| Free cash flow | 193 | 964 | (335) |

(1) Cash and other liquid assets consist of the following line items from our consolidated statement of financial position: cash and cash equivalents, available-for-sale investments, liquid assets and investments at fair value through profit and loss, liquid assets.

(2) Includes Deferred tax liabilities, Defined benefit pension liabilities, Deferred revenue and other long-term liabilities, Provisions, Other financial liabilities, Current income tax liabilities, Accounts payable and Accrued expenses and deferred revenue and other liabilities.

(3) Includes Long-term interest-bearing liabilities, Current portion of long-term interest-bearing liabilities and Short-term borrowings.

(4) Includes purchases of property, plant and equipment and intangible assets for Continuing operations.

(5) Dividends declared per share in 2015 are subject to shareholders' approval.

(6) Maximum amount to be distributed as dividends based on the number of shares at March 31, 2016, excluding the number of treasury shares, and based on the proposal by the Board for the fiscal year 2015, subject to shareholders approval at the Annual General Meeting convening on June 16, 2016. Previous year's figure represents the total actual amounts paid.

Exchange rate data

Our business and results of operations are, from time to time, affected by changes in exchange rates, particularly between the euro, our reporting currency, and other currencies such as the US dollar, the Chinese yuan, the Japanese yen and the Korean won. The following table sets forth information concerning the noon buying rate for the years 2011 to 2015 and for each of the months in the six-month period ended February 29, 2016, expressed in US dollars per euro. The average rate for a year means the average of the exchange rates on the last day of each month during a year. The average rate for a month means the average of the daily exchange rates during that month.

| | End of period rate | Average rate | Highest rate | Lowest rate |
|---|--------------------|--------------|--------------|-------------|
| For the year ended December 31 (unless otherwise specified) | (USD per EUR) | | | |
| 2011 | 1.2973 | 1.4002 | 1.4875 | 1.2926 |
| 2012 | 1.3186 | 1.2909 | 1.3463 | 1.2062 |
| 2013 | 1.3779 | 1.3303 | 1.3816 | 1.2774 |
| 2014 | 1.2101 | 1.3210 | 1.3927 | 1.2101 |
| 2015 | 1.0859 | 1.1032 | 1.2015 | 1.0524 |
| September 30, 2015 | 1.1162 | 1.1229 | 1.1358 | 1.1104 |
| October 30, 2015 | 1.1042 | 1.1228 | 1.1437 | 1.0963 |
| November 30, 2015 | 1.0562 | 1.0727 | 1.1026 | 1.0562 |
| December 21, 2015 | 1.0859 | 1.0889 | 1.1025 | 1.0573 |
| January 29, 2016 | 1.0832 | 1.0855 | 1.0964 | 1.0743 |
| February 29, 2016 | 1.0868 | 1.1092 | 1.1362 | 1.0868 |

On March 24, 2016, the noon buying rate was USD 1.1163 per EUR 1.00.

General facts on Nokia continued

Shares and shareholders

Shares and share capital

Nokia has one class of shares. Each Nokia share entitles the holder to one vote at general meetings of Nokia.

On December 31, 2015, the share capital of Nokia Corporation was EUR 245 896 461.96 and the total number of shares issued was 3 992 863 716. At December 31, 2015, the total number of shares included 53 668 695 shares owned by Group companies representing approximately 1.3% of the total number of shares and the total voting rights.

Nokia does not have minimum or maximum share capital or a par value of a share.

| Share capital and shares at December 31 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|------------------|-----------|-----------|-----------|-----------|
| Share capital, EURm | 246 | 246 | 246 | 246 | 246 |
| Shares, (000s) | 3 992 864 | 3 745 044 | 3 744 994 | 3 744 956 | 3 744 956 |
| Shares owned by the Group, (000s) | 53 669 | 96 901 | 32 568 | 33 971 | 34 767 |
| Number of shares excluding shares owned by the Group, (000s) | 3 939 195 | 3 648 143 | 3 712 427 | 3 710 985 | 3 710 189 |
| Average number of shares excluding shares owned by the Group during the year, (000s), basic | 3 670 934 | 3 698 723 | 3 712 079 | 3 710 845 | 3 709 947 |
| Average number of shares excluding shares owned by the Group during the year, (000s), diluted | 3 949 312 | 4 131 602 | 3 712 079 | 3 710 845 | 3 709 947 |
| Number of registered shareholders ⁽¹⁾ | 209 509 | 216 830 | 225 587 | 250 799 | 229 096 |

(1) Each account operator is included in the figure as only one registered shareholder.

Calculation of key ratios

| Key ratios at December 31, Continuing operations | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---------------|--------|--------|--------|--------|
| Earnings per share for profit attributable to equity holders of the parent | | | | | |
| Earnings per share, basic, EUR | 0.32 | 0.73 | 0.07 | (0.16) | (0.00) |
| Earnings per share, diluted, EUR | 0.31 | 0.67 | 0.07 | (0.16) | (0.00) |
| P/E ratio, basic ⁽¹⁾ | 20.6 | 8.99 | 83.14 | neg. | neg. |
| Dividend per share, EUR ⁽²⁾ | 0.26 | 0.14 | 0.37 | – | 0.20 |
| Total dividends paid, EURm ⁽²⁾⁽³⁾ | 1 488 | 511 | 1 374 | – | 742 |
| Payout ratio, basic ⁽²⁾ | 0.81 | 0.19 | 5.29 | neg. | neg. |
| Dividend yield, % ⁽²⁾ | 3.94 | 2.13 | 6.36 | – | 5.30 |
| Shareholders' equity per share, EUR ⁽⁴⁾ | 2.67 | 2.36 | 1.74 | 2.14 | 3.20 |
| Market capitalization, EURm ⁽⁴⁾ | 25 999 | 23 932 | 21 606 | 10 873 | 13 987 |

(1) Based on Nokia closing share price at year-end.

(2) In 2015, based on Board of Directors proposal for 2015, subject to shareholders approval at the Annual General Meeting convening on June 16, 2016.

(3) Maximum amount to be distributed as dividends based on the number of shares at March 31, 2016, excluding the number of treasury shares. Comparative figures represent the total actual amounts paid.

(4) Excludes shares owned by the Group companies.

Reductions of share capital and number of shares

| Type of reduction | Year | Number of shares 000s | Amount of reduction of the share capital EURm | Amount of reduction of the restricted capital EURm | Amount of reduction of the retained earnings EURm |
|------------------------|-------------|-----------------------|---|--|---|
| Cancellation of shares | 2011 | – | – | – | – |
| Cancellation of shares | 2012 | – | – | – | – |
| Cancellation of shares | 2013 | – | – | – | – |
| Cancellation of shares | 2014 | – | – | – | – |
| Cancellation of shares | 2015 | 66 904 | – | – | – |

Share turnover

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|--------------------------------------|------------------|-----------|------------|------------|------------|
| Share turnover (000s) ⁽¹⁾ | 8 490 455 | 9 278 853 | 16 748 295 | 19 995 211 | 15 651 671 |
| Total number of shares (000s) | 3 992 823 | 3 745 044 | 3 744 956 | 3 744 956 | 3 744 956 |
| % of total number of shares | 213 | 248 | 447 | 534 | 418 |

(1) Source: Nasdaq Helsinki, the NYSE composite tape and Euronext Paris (since November 2015).

The principal trading markets for the shares are the NYSE, in the form of ADSs, and Nasdaq Helsinki and Euronext Paris, in the form of shares.

Share prices⁽¹⁾

| EUR | 2015 | 2014 | 2013 | 2012 | 2011 |
|------------------------|------------------|-----------|-----------|-----------|-----------|
| Low/high | 4.91/7.87 | 4.89/6.97 | 2.30/6.03 | 1.33/4.46 | 3.33/8.48 |
| Average ⁽²⁾ | 6.53 | 5.99 | 3.57 | 2.62 | 5.19 |
| Year-end | 6.60 | 6.56 | 5.82 | 2.93 | 3.77 |

(1) Source: Nasdaq Helsinki.

(2) Total turnover divided by total volume.

Share prices⁽¹⁾

| EUR | 2015 | 2014 | 2013 | 2012 | 2011 |
|------------------------|------------------|------|------|------|------|
| Low/high | 6.29/7.15 | – | – | – | – |
| Average ⁽²⁾ | 6.66 | – | – | – | – |
| Year-end | 6.59 | – | – | – | – |

(1) Source: Euronext Paris.

(2) Total turnover divided by total volume.

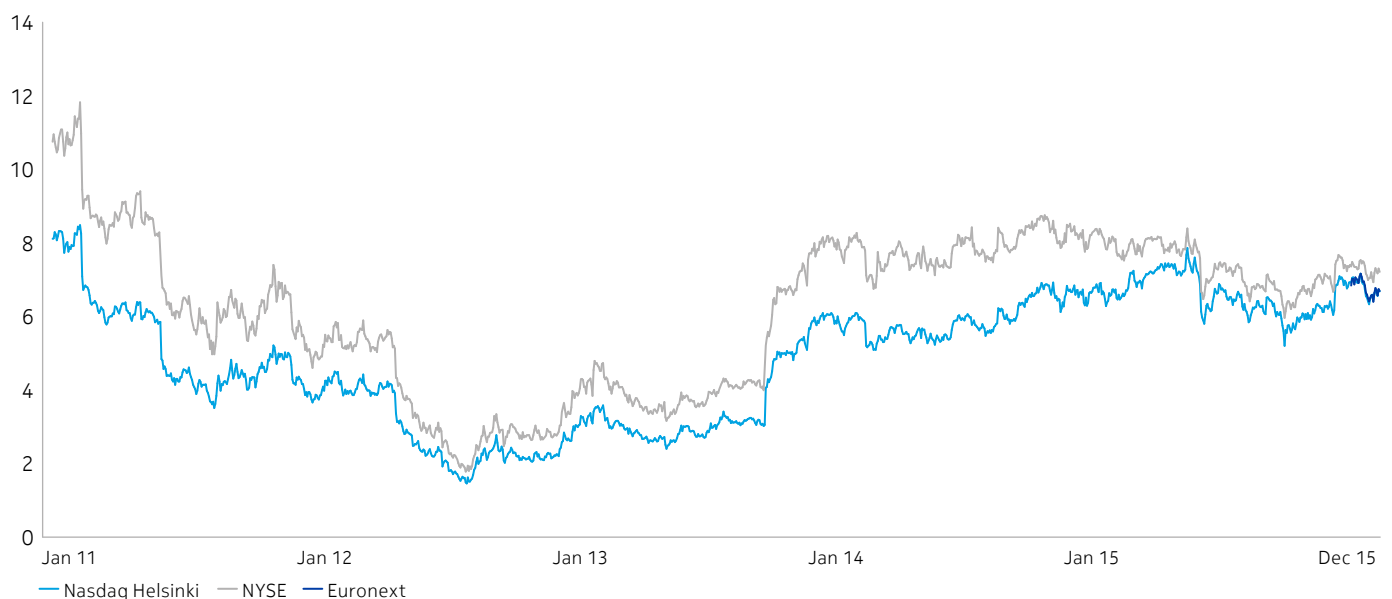
Share prices (ADS)⁽¹⁾

| USD | 2015 | 2014 | 2013 | 2012 | 2011 |
|------------------------|------------------|-----------|-----------|-----------|------------|
| Low/high | 5.71/8.37 | 6.64/8.73 | 3.02/8.18 | 1.63/5.87 | 4.46/11.75 |
| Average ⁽²⁾ | 7.28 | 7.79 | 4.82 | 3.41 | 7.14 |
| Year-end | 7.02 | 7.86 | 8.11 | 3.95 | 4.82 |

(1) Source: The NYSE composite tape.

(2) Total turnover divided by total volume.

Nokia share prices on Nasdaq Helsinki (EUR), Euronext Paris (EUR) and the New York Stock Exchange (USD) 2011–2015



Source: Nasdaq Helsinki, the NYSE composite tape and Euronext Paris (since November 2015).

General facts on Nokia continued

Stock option exercises 2011–2015

| Year | Stock option category | Subscription price EUR | Number of new shares 000s | Date of payment | Net proceeds EURm | New share capital EURm |
|-------------|---------------------------------|---------------------------|------------------------------|--------------------|----------------------|---------------------------|
| 2011 | Nokia Stock Option Plan 2006 1Q | 14.99 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2006 2Q | 18.02 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2006 3Q | 15.37 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2006 4Q | 15.38 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2007 1Q | 17.00 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2007 2Q | 18.39 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2007 3Q | 21.86 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2007 4Q | 27.53 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2008 1Q | 24.15 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2008 2Q | 19.16 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2008 3Q | 17.80 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2008 4Q | 12.43 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2009 1Q | 9.82 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2009 2Q | 11.18 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2009 3Q | 9.28 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2009 4Q | 8.76 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2010 1Q | 10.11 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2010 2Q | 8.86 | 0 | 2011 | 0.00 | – |
| | Nokia Stock Option Plan 2010 3Q | 7.29 | | | | |
| | Total | | 0 | | 0.00 | |
| 2012 | Nokia Stock Option Plan 2007 2Q | 18.39 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2007 3Q | 21.86 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2007 4Q | 27.53 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2008 1Q | 24.15 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2008 2Q | 19.16 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2008 3Q | 17.80 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2008 4Q | 12.43 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2009 1Q | 9.82 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2009 2Q | 11.18 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2009 3Q | 9.28 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2009 4Q | 8.76 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2010 1Q | 10.11 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2010 2Q | 8.86 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2010 3Q | 7.29 | 0 | 2012 | 0.00 | – |
| | Nokia Stock Option Plan 2010 4Q | 7.59 | 0 | 2012 | 0.00 | – |
| | Total | | 0 | | 0.00 | |

| Year | Stock option category | Subscription price EUR | Number of new shares 000s | Date of payment | Net proceeds EURm | New share capital EURm |
|------|---------------------------------|---------------------------|------------------------------|--------------------|----------------------|---------------------------|
| 2013 | Nokia Stock Option Plan 2008 1Q | 24.15 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2008 2Q | 19.16 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2008 3Q | 17.80 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2008 4Q | 12.43 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2009 1Q | 9.82 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2009 2Q | 11.18 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2009 3Q | 9.28 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2009 4Q | 8.76 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2010 1Q | 10.11 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2010 2Q | 8.86 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2010 3Q | 7.29 | 0 | 2013 | 0.00 | – |
| | Nokia Stock Option Plan 2010 4Q | 7.59 | 0 | 2013 | 0.00 | – |
| | Total | | 0 | | 0.00 | |
| 2014 | Nokia Stock Option Plan 2009 1Q | 9.56 | 0 | 2014 | 0.00 | – |
| | Nokia Stock Option Plan 2009 2Q | 10.92 | 0 | 2014 | 0.00 | – |
| | Nokia Stock Option Plan 2009 3Q | 9.02 | 0 | 2014 | 0.00 | – |
| | Nokia Stock Option Plan 2009 4Q | 8.50 | 0 | 2014 | 0.00 | – |
| | Nokia Stock Option Plan 2010 1Q | 9.85 | 0 | 2014 | 0.00 | – |
| | Nokia Stock Option Plan 2010 2Q | 8.60 | 0 | 2014 | 0.00 | – |
| | Nokia Stock Option Plan 2010 3Q | 7.03 | 0 | 2014 | 0.00 | – |
| | Nokia Stock Option Plan 2010 4Q | 7.33 | 0 | 2014 | 0.00 | – |
| | Nokia Stock Option Plan 2011 2Q | 5.76 | 50 | 2014 | 0.29 | – |
| | Nokia Stock Option Plan 2011 3Q | 3.50 | 0 | 2014 | 0.00 | – |
| | Total | | 50 | | 0.29 | |
| 2015 | Nokia Stock Option Plan 2010 1Q | 9.85 | 0 | 2015 | 0.00 | – |
| | Nokia Stock Option Plan 2010 2Q | 8.60 | 0 | 2015 | 0.00 | – |
| | Nokia Stock Option Plan 2010 3Q | 7.03 | 0 | 2015 | 0.00 | – |
| | Nokia Stock Option Plan 2010 4Q | 7.33 | 0 | 2015 | 0.00 | – |
| | Nokia Stock Option Plan 2011 2Q | 5.76 | 442 | 2015 | 2.55 | – |
| | Nokia Stock Option Plan 2011 3Q | 3.50 | 212 | 2015 | 0.74 | – |
| | Nokia Stock option Plan 2011 4Q | 4.58 | 90 | 2015 | 0.41 | – |
| | Nokia Stock option Plan 2012 1Q | 3.58 | 0 | 2015 | 0.00 | – |
| | Nokia Stock option Plan 2012 2Q | 2.18 | 213 | 2015 | 0.47 | – |
| | Nokia Stock option Plan 2012 3Q | 1.92 | 285 | 2015 | 0.55 | – |
| | Total | | 1 242 | | 4.72 | |

General facts on Nokia continued

Shareholders

At December 31, 2015, shareholders registered in Finland represented 19.34% and shareholders registered in the name of a nominee represented 80.66% of the total number of shares of Nokia Corporation. The number of directly registered shareholders was 209 509 on December 31, 2015. Each account operator (16) is included in this figure as only one registered shareholder.

Largest shareholders registered in Finland at December 31, 2015⁽¹⁾

| Shareholder | Total number of shares 000s | % of all shares | % of all voting rights |
|--|-----------------------------|-----------------|------------------------|
| Varma Mutual Pension Insurance Company | 80 722 | 2.02 | 2.05 |
| Ilmarinen Mutual Pension Insurance Company | 29 394 | 0.74 | 0.75 |
| The State Pension Fund | 25 600 | 0.64 | 0.65 |
| Schweizerische Nationalbank | 23 990 | 0.60 | 0.61 |
| Svenska Litteratursällskapet i Finland rf | 14 313 | 0.36 | 0.36 |
| Elo Mutual Pension Insurance Company | 14 130 | 0.36 | 0.36 |
| Nordea Finland Fund | 10 804 | 0.27 | 0.27 |
| Lival Oy Ab | 10 141 | 0.25 | 0.26 |
| Keva (Local Government Pensions Institution) | 9 454 | 0.24 | 0.24 |
| Folketrygdfondet | 6 225 | 0.16 | 0.16 |

(1) Excluding nominee registered shares and shares owned by Nokia Corporation. Nokia Corporation owned 53 232 002 shares as at December 31, 2015.

Breakdown of share ownership at December 31, 2015⁽¹⁾

| By number of shares owned | Number of shareholders | % of shareholders | Total number of shares | % of all shares |
|---------------------------|------------------------|-------------------|------------------------|-----------------|
| 1–100 | 47 375 | 22.61 | 2 803 903 | 0.07 |
| 101–1 000 | 103 219 | 49.27 | 46 963 072 | 1.18 |
| 1 001–10 000 | 52 451 | 25.04 | 159 757 648 | 4.00 |
| 10 001–100 000 | 6 090 | 2.91 | 148 236 215 | 3.71 |
| 100 001–500 000 | 278 | 0.13 | 56 400 977 | 1.41 |
| 500 001–1 000 000 | 34 | 0.02 | 24 221 217 | 0.61 |
| 1 000 001–5 000 000 | 42 | 0.02 | 88 675 907 | 2.22 |
| Over 5 000 000 | 20 | 0.01 | 3 465 804 777 | 86.80 |
| Total | 209 509 | 100.00 | 3 992 863 716 | 100.00 |

(1) The breakdown covers only shareholders registered in Finland, and each account operator (16) is included in the number of shareholders as only one registered shareholder. As a result, the breakdown is not illustrative of the entire shareholder base of Nokia.

| By nationality | % of shares |
|--------------------------|---------------|
| Non-Finnish shareholders | 80.66 |
| Finnish shareholders | 19.34 |
| Total | 100.00 |

| By shareholder category (Finnish shareholders) | % of shares |
|---|--------------|
| Corporations | 2.88 |
| Households | 8.61 |
| Financial and insurance institutions | 2.12 |
| Non-profit organizations | 1.39 |
| Governmental bodies (incl. pension insurance companies) | 4.34 |
| Total | 19.34 |

At December 31, 2015, a total of 408 320 704 ADSs (equivalent to the same number of shares or approximately 10.23% of the total outstanding shares) were outstanding and held of record by 2 215 295 registered holders in the United States. We are aware that many ADSs are held of record by brokers and other nominees, and accordingly the above number of holders is not necessarily representative of the actual number of persons who are beneficial holders of ADSs or the number of ADSs beneficially held by such persons. Based on information available from Automatic Data Processing Inc., the number of beneficial owners of ADSs at December 31, 2015 was 406 105 409.

Based on information known to us as of March 31, 2016, at November 26, 2015 Blackrock, Inc. beneficially owned 287 009 903 Nokia shares or convertible bonds combined, which at that time corresponded to approximately 7.19% of the total number of shares and voting rights of Nokia.

As far as we know, Nokia is not directly or indirectly owned or controlled by any other corporation or any government, and there are no arrangements that may result in a change of control of Nokia.

Shares and stock options owned by the members of the Board and the Nokia Group Leadership Team

As of December 31, 2015, members of the Board and the Group Leadership Team owned an aggregate of 1 644 222 shares which represented approximately 0.04% of the aggregate number of shares and voting rights. They also owned stock options which, if exercised in full, including both exercisable and non-exercisable stock options, would be exercisable for an additional 565 000 shares representing approximately 0.01% of the total number of shares and voting rights at December 31, 2015.

Authorizations

Authorizations to issue shares and special rights entitling to shares

At the Annual General Meeting held on May 5, 2015, Nokia shareholders authorized the Board to issue a maximum of 730 million shares through one or more issues of shares or special rights entitling to shares. The Board may issue either new shares or shares held by the Company. The authorization includes the right for the Board to resolve on all the terms and conditions of such issuances of shares and special rights entitling to shares, including issuance in deviation from the shareholders' pre-emptive rights. The authorization may be used to develop the Company's capital structure, diversify the shareholder base, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, or for other purposes resolved by the Board. The authorization is effective until November 5, 2016.

At the Extraordinary General Meeting held on December 2, 2015, Nokia shareholders authorized the Board to issue, in deviation from the shareholders' pre-emptive right, a maximum of 2 100 million shares through one or more issues of shares. The authorization includes the right for the Board to resolve on all the terms and conditions of such issuances of shares. The authorization may be used to issue Nokia shares to the holders of Alcatel Lucent shares, American depositary shares and convertible bonds as well as to beneficiaries of Alcatel Lucent employee equity compensation arrangements for the purpose of implementing the transaction with Alcatel Lucent, including the consummation of the public exchange offer for all outstanding Alcatel Lucent securities made to Alcatel Lucent shareholders as well as other transactions contemplated by the memorandum of understanding between Nokia and Alcatel Lucent, and / or otherwise to effect the combination of Nokia and Alcatel Lucent. The authorization is effective until December 2, 2020.

As of December 31, 2015, the Board had no other authorizations to issue shares, convertible bonds, warrants or stock options.

Authorization to repurchase shares

At the Annual General Meeting held on May 5, 2015, Nokia shareholders authorized the Board to repurchase a maximum of 365 million Nokia shares. The amount corresponds to less than 10% of the total number of Company's shares. The shares may be repurchased in order to optimize the capital structure of the Company, in order to finance or carry out acquisitions or other arrangements, to settle the Company's equity-based incentive plans or to be transferred for other purposes. The authorization is effective until November 5, 2016.

| Period | Total number of shares purchased | Average euro price paid per share | Total number of shares purchased as part of publicly announced plans or programs ⁽¹⁾ | Maximum value of shares that may yet be purchased under the plans or programs, EUR |
|--------------|----------------------------------|-----------------------------------|---|--|
| January | 728 384 | 6.86 | 728 384 | 818 280 207 |
| February | 13 175 547 | 6.96 | 13 175 547 | 726 566 079 |
| March | 10 612 158 | 7.23 | 10 612 158 | 649 823 340 |
| April | – | – | – | – |
| May | – | – | – | – |
| June | – | – | – | – |
| July | – | – | – | – |
| August | – | – | – | – |
| September | – | – | – | – |
| October | – | – | – | – |
| November | – | – | – | – |
| December | – | – | – | – |
| Total | 24 516 089 | 7.07 | 24 516 089 | – |

(1) EUR 1.25 billion share repurchase program was announced in conjunction with the capital structure optimization program in April, 2014. The share repurchase program was suspended in conjunction with the announcement of Nokia's intention to combine with Alcatel Lucent in April, 2015.

General facts on Nokia continued

Offer and listing details

Our capital consists of shares traded on Nasdaq Helsinki under the symbol "NOKIA" and Euronext Paris under the symbol "NOKIA". Our ADSs, each representing one of our shares, are traded on the NYSE under the symbol "NOK". The ADSs are evidenced by American Depositary Receipts ("ADRs") issued by Citibank, N.A., as the Depositary under the Amended and Restated Deposit Agreement dated as of March 28, 2000 (as amended), among Nokia, Citibank, N.A. and registered holders from time to time of ADRs, as amended on February 6, 2008.

The table below sets forth, for the periods indicated, the reported high and low quoted prices for our shares on Nasdaq Helsinki and Euronext Paris, and the high and low quoted prices for the ADSs, as reported on the NYSE composite tape.

| | Nasdaq Helsinki price per share | | New York Stock Exchange price per ADS | | Euronext Paris price per share ⁽¹⁾ | |
|-------------------------------|------------------------------------|-------------|--|-------------|--|----------|
| | High | Low | High | Low | High | Low |
| | EUR | | USD | | EUR | |
| 2011 | 8.48 | 3.33 | 11.75 | 4.46 | – | – |
| 2012 | 4.46 | 1.33 | 5.87 | 1.63 | – | – |
| 2013 | 6.03 | 2.30 | 8.18 | 3.02 | – | – |
| 2014 | | | | | | |
| First Quarter | 6.11 | 4.89 | 8.20 | 6.64 | – | – |
| Second Quarter | 6.01 | 5.13 | 8.35 | 7.00 | – | – |
| Third Quarter | 6.89 | 5.38 | 8.73 | 7.30 | – | – |
| Fourth Quarter | 6.97 | 5.95 | 8.58 | 7.58 | – | – |
| Full year | 6.97 | 4.89 | 8.73 | 6.64 | – | – |
| 2015 | | | | | | |
| First Quarter | 7.38 | 6.33 | 8.14 | 7.40 | – | – |
| Second Quarter | 7.87 | 5.71 | 8.37 | 6.30 | – | – |
| Third Quarter | 6.55 | 4.91 | 7.10 | 5.71 | – | – |
| Fourth Quarter | 7.11 | 5.92 | 7.63 | 6.53 | – | – |
| Full year | 7.87 | 4.91 | 8.37 | 5.71 | – | – |
| Most recent six months | | | | | | |
| September 2015 | 6.14 | 5.39 | 6.83 | 6.06 | – | – |
| October 2015 | 6.79 | 5.92 | 7.47 | 6.53 | – | – |
| November 2015 | 7.04 | 6.62 | 7.63 | 7.09 | 6.97 | 6.75 |
| December 2015 | 7.11 | 6.22 | 7.48 | 6.79 | 7.15 | 6.29 |
| January 2016 | 6.99 | 6.35 | 7.55 | 6.89 | 6.99 | 6.25 |
| February 2016 | 6.04 | 5.06 | 6.40 | 5.78 | 6.50 | 5.06 |
| March 24, 2016 ⁽²⁾ | 5.73 | 5.15 | 6.19 | 5.74 | 5.73 | 5.13 |

(1) Nokia's listing and trading on Euronext Paris commenced on November 19, 2015.

(2) For the period until March 24, 2016.

Depository fees and charges

ADS holders may have to pay the following service fees to the Depository:

| Service | Fees (USD) |
|--|--------------------------------------|
| Issuance of ADSs | Up to 5 cents per ADS ⁽¹⁾ |
| Cancellation of ADSs | Up to 5 cents per ADS ⁽¹⁾ |
| Distribution of cash dividends or other cash distributions | Up to 2 cents per ADS ⁽²⁾ |
| Distribution of ADSs pursuant to (i) stock dividends, free stock distributions or (ii) exercises of rights to purchase additional ADSs | Up to 5 cents per ADS ⁽²⁾ |
| Distribution of securities other than ADSs or rights to purchase additional ADSs | Up to 5 cents per ADS ⁽¹⁾ |
| ADR transfer fee | 1.50 per transfer ⁽¹⁾ |

(1) These fees are typically paid to the Depository by the brokers on behalf of their clients receiving the newly issued ADSs from the Depository and by the brokers on behalf of their clients delivering the ADSs to the Depository for cancellation. The brokers in turn charge these transaction fees to their clients.

(2) In practice, the Depository has not collected these fees. If collected, such fees are offset against the related distribution made to the ADR holder.

Additionally, ADS holders are responsible for certain fees and expenses incurred by the Depository on their behalf and certain governmental charges such as taxes and registration fees, transmission and delivery expenses, conversion of foreign currency and fees relating to compliance with exchange control regulations. The fees and charges may vary over time.

In the event of refusal to pay the depository fees, the Depository may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set-off the amount of the depository fees from any distribution to be made to the ADR holder.

Depository payments 2015

In 2015, our Depository made the following payments on our behalf in relation to our ADR program.

| Category | Payment (USD) |
|--|---------------------|
| Settlement infrastructure fees (including the Depository Trust Company fees) | 45 006.55 |
| Proxy process expenses (including printing, postage and distribution) | 1 288 957.34 |
| ADS holder identification expenses | 63 790.83 |
| Legal fees | 50 709.07 |
| NYSE listing fees | – |
| Total | 1 448 463.79 |

Additionally for 2015, our Depository has agreed to reimburse us USD 4 567 796.00 mainly related to contributions towards our investor relations activities, including investor meetings and conferences and fees of investor relations service vendors, and other miscellaneous expenses related to the US listing of our ADSs.

Production of infrastructure equipment and products

Nokia Networks' Global Operations team handles the supply chain management of all its hardware, software and original equipment manufacturer products. This includes supply planning, manufacturing, distribution, procurement, logistics, supply, network design and delivery capability creation in product programs.

On December 31, 2015, Nokia Networks had four manufacturing facilities globally: one in China (Shanghai), one in Japan (Saedo), one in Finland (Oulu), and one in India (Chennai).

In addition to Nokia Networks' strong manufacturing capabilities, it also utilizes third-party suppliers for certain components and sub-assembly for certain products. Examples include company-specific integrated circuits and radio frequency components. Nokia Networks then assembles these components and sub-assemblies into final products and solutions and, for selected products and solutions, its suppliers also deliver goods directly to customers. This system provides Nokia Networks with considerable flexibility in its manufacturing and enables it to meet demands related to cost, availability and customer requirements more easily.

The table below shows the productive capacity per location of major manufacturing facilities for Nokia Networks' infrastructure equipment at December 31, 2015.

| Country | Location and products ⁽¹⁾ | Productive capacity, Net (m ²) ⁽²⁾ |
|---------|--|---|
| China | Shanghai: base stations, transmission systems | 15 954 |
| Japan | Saedo: base stations, distributed antenna systems | 2 698 |
| Finland | Oulu: base stations | 14 784 |
| India | Chennai: base stations, radio controllers and transmission systems | 12 778 |

(1) Nokia Networks considers the production capacity of its manufacturing facilities to be sufficient to meet the requirements of its network infrastructure business. The extent of utilization of its manufacturing facilities varies from plant to plant and from time to time during the year. None of these facilities is subject to a material encumbrance.

(2) Productive capacity equals the total area allotted to manufacturing and to the storage of manufacturing-related materials.

General facts on Nokia continued

Key ratios

Operating profit

Profit before interest and taxes

Earnings per share (basic)

Profit attributable to equity holders of the parent

Average adjusted number of shares during the year

P/E ratio

Closing share price at December 31

Earnings per share (basic) for Continuing operations

Payout ratio

Dividend per share

Earnings per share (basic) for Continuing operations

Dividend yield %

Dividend per share

Closing share price at December 31

Shareholders' equity per share

Capital and reserves attributable to equity holders of the parent

Number of shares at December 31—number of treasury shares at December 31

Market capitalization

(Number of shares at December 31—number of treasury shares at December 31) x closing share price at December 31

Share turnover %

Number of shares traded during the year

Average number of shares during the year

Interest-bearing liabilities

Long-term interest-bearing liabilities (including the current portion thereof) + short-term borrowings

Return on capital employed %

Profit before taxes + interest and other financial expenses

Average capital and reserves attributable to the Company's equity holders + average non-controlling interests + average interest-bearing liabilities

Return on shareholders' equity %

Profit attributable to the equity holders of the parent

Average capital and reserves attributable to the company's equity holders during the year

Equity ratio %

Capital and reserves attributable to equity holders of the parent + non-controlling interests

Total assets—advance payments received

Net debt to equity (gearing) %

Interest-bearing liabilities—cash and other liquid assets

Capital and reserves attributable to the equity holders of the parent + non-controlling interests

Net cash

Total cash and other liquid assets—interest-bearing liabilities

Free cash flow⁽¹⁾

Net cash from/(used in) operating activities—purchases of property, plant and equipment, and intangible assets

(1) The consolidated statement of cash flows combines cash flows from both Continuing operations and Discontinued operations.

Financial statements

Contents

| | | | |
|--|-----|---|-----|
| Consolidated income statement | 120 | Parent Company income statement | 186 |
| Consolidated statement of comprehensive income | 121 | Parent Company statement of financial position | 187 |
| Consolidated statement of financial position | 122 | Parent Company statement of cash flows | 189 |
| Consolidated statement of cash flows | 123 | Notes to Parent Company financial statements | 190 |
| Consolidated statement of changes in shareholders' equity | 124 | 1. Accounting principles | 190 |
| Notes to consolidated financial statements | 126 | 2. Net sales by segment | 192 |
| 1. Accounting principles | 126 | 3. Personnel expenses | 192 |
| 2. Segment information | 135 | 4. Depreciation and amortization by function | 192 |
| 3. Disposals treated as discontinued operations | 137 | 5. Auditor's fees | 192 |
| 4. Acquisitions | 141 | 6. Other income | 192 |
| 5. Revenue recognition | 142 | 7. Other expenses | 193 |
| 6. Expenses by nature | 143 | 8. Financial income and expenses | 193 |
| 7. Personnel expenses | 143 | 9. Group contributions | 193 |
| 8. Pensions | 144 | 10. Income tax | 193 |
| 9. Depreciation and amortization by function | 147 | 11. Deferred taxes | 194 |
| 10. Impairment | 148 | 12. Intangible assets | 194 |
| 11. Other income and expenses | 149 | 13. Property, plant and equipment | 195 |
| 12. Financial income and expenses | 150 | 14. Investments | 196 |
| 13. Income tax | 150 | 15. Prepaid expenses and accrued income | 197 |
| 14. Deferred taxes | 151 | 16. Shareholders' equity | 197 |
| 15. Earnings per share | 153 | 17. Distributable earnings | 198 |
| 16. Intangible assets | 154 | 18. Fair value and other reserves | 198 |
| 17. Property, plant and equipment | 155 | 19. Fair value of financial instruments | 199 |
| 18. Investments in associated companies and joint ventures | 156 | 20. Derivative financial instruments | 200 |
| 19. Fair value of financial instruments | 156 | 21. Provisions | 201 |
| 20. Derivative financial instruments | 160 | 22. Long-term interest-bearing liabilities | 201 |
| 21. Inventories | 161 | 23. Accrued expenses and deferred revenue | 201 |
| 22. Allowances for doubtful accounts | 161 | 24. Commitments and contingencies | 202 |
| 23. Prepaid expenses and accrued income | 161 | 25. Leasing contracts | 202 |
| 24. Shares of the Parent Company | 162 | 26. Loans granted to the management of the company | 202 |
| 25. Share-based payment | 163 | 27. Notes to the statement of cash flows | 202 |
| 26. Translation differences | 166 | 28. Principal Group companies | 202 |
| 27. Fair value and other reserves | 167 | 29. Shares of the Parent Company | 202 |
| 28. Provisions | 168 | 30. Risk management | 202 |
| 29. Accrued expenses, deferred revenue and other liabilities | 170 | 31. Subsequent events | 202 |
| 30. Commitments and contingencies | 170 | Signing of the Annual Accounts 2015 and proposal by the Board of Directors for distribution of profit | 203 |
| 31. Contractual obligations | 171 | Auditor's report | 204 |
| 32. Notes to the consolidated statement of cash flows | 171 | | |
| 33. Principal Group companies | 172 | | |
| 34. Related party transactions | 172 | | |
| 35. Risk management | 175 | | |
| 36. Subsequent events | 184 | | |

Consolidated income statement

| For the year ended December 31 | Notes | 2015 EURm | 2014 EURm | 2013 EURm |
|---|-------|---------------|---------------|---------------|
| Net sales | 2, 5 | 12 499 | 11 762 | 11 795 |
| Cost of sales | 6 | (7 046) | (6 855) | (7 157) |
| Gross profit | | 5 453 | 4 907 | 4 638 |
| Research and development expenses | 6 | (2 126) | (1 948) | (1 970) |
| Selling, general and administrative expenses | 6 | (1 652) | (1 453) | (1 483) |
| Other income | 11 | 236 | 135 | 272 |
| Other expenses | 11 | (223) | (229) | (785) |
| Operating profit | | 1 688 | 1 412 | 672 |
| Share of results of associated companies and joint ventures | 18 | 29 | (12) | 4 |
| Financial income and expenses | 12 | (177) | (401) | (277) |
| Profit before tax | | 1 540 | 999 | 399 |
| Income tax (expense)/benefit | 13 | (346) | 1 719 | (271) |
| Profit for the year from Continuing operations | | 1 194 | 2 718 | 128 |
| Attributable to: | | | | |
| Equity holders of the parent | | 1 192 | 2 710 | 273 |
| Non-controlling interests | | 2 | 8 | (145) |
| Profit for the year from Continuing operations | | 1 194 | 2 718 | 128 |
| Profit/(loss) for the year from Discontinued operations attributable to: | | | | |
| Equity holders of the parent | | 1 274 | 752 | (888) |
| Non-controlling interests | | – | 6 | 21 |
| Profit/(loss) for the year from Discontinued operations | 3 | 1 274 | 758 | (867) |
| Profit/(loss) for the year attributable to: | | | | |
| Equity holders of the parent | | 2 466 | 3 462 | (615) |
| Non-controlling interests | | 2 | 14 | (124) |
| Profit/(loss) for the year | | 2 468 | 3 476 | (739) |
| Earnings per share attributable to equity holders of the parent | 15 | EUR | EUR | EUR |
| Basic earnings per share | | | | |
| Continuing operations | | 0.32 | 0.73 | 0.07 |
| Discontinued operations | | 0.35 | 0.20 | (0.24) |
| Profit/(loss) for the year | | 0.67 | 0.94 | (0.17) |
| Diluted earnings per share | | | | |
| Continuing operations | | 0.31 | 0.67 | 0.07 |
| Discontinued operations | | 0.32 | 0.18 | (0.24) |
| Profit/(loss) for the year | | 0.63 | 0.85 | (0.17) |
| Average number of shares | | 000s shares | 000s shares | 000s shares |
| Basic | | | | |
| Continuing operations | | 3 670 934 | 3 698 723 | 3 712 079 |
| Discontinued operations | | 3 670 934 | 3 698 723 | 3 712 079 |
| Profit/(loss) for the year | | 3 670 934 | 3 698 723 | 3 712 079 |
| Diluted | | | | |
| Continuing operations | | 3 949 312 | 4 131 602 | 3 733 364 |
| Discontinued operations | | 3 949 312 | 4 131 602 | 3 712 079 |
| Profit/(loss) for the year | | 3 949 312 | 4 131 602 | 3 712 079 |

The notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

| For the year ended December 31 | Notes | 2015 EURm | 2014 EURm | 2013 EURm |
|---|--------|--------------|--------------|--------------|
| Profit/(loss) for the year | | 2 468 | 3 476 | (739) |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit or loss: | | | | |
| Remeasurements on defined benefit plans | 8 | 112 | (275) | 83 |
| Income tax related to items that will not be reclassified to profit or loss | | (28) | 96 | (3) |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Translation differences | 26 | (1 054) | 820 | (496) |
| Net investment hedges | 26 | 322 | (167) | 114 |
| Cash flow hedges | 27 | (5) | (30) | 3 |
| Available-for-sale investments | 27 | 113 | 106 | 49 |
| Other increase, net | | 2 | 40 | 5 |
| Income tax related to items that may be reclassified subsequently to profit or loss | 26, 27 | (88) | 16 | 1 |
| Other comprehensive (expense)/income, net of tax | | (626) | 606 | (244) |
| Total comprehensive income/(expense) for the year | | 1 842 | 4 082 | (983) |
| Attributable to: | | | | |
| Equity holders of the parent | | 1 837 | 4 061 | (863) |
| Non-controlling interests | | 5 | 21 | (120) |
| Total comprehensive income/(expense) for the year | | 1 842 | 4 082 | (983) |
| Attributable to equity holders of the parent: | | | | |
| Continuing operations | | 1 513 | 2 350 | 55 |
| Discontinued operations | | 324 | 1 711 | (918) |
| Total attributable to equity holders of the parent | | 1 837 | 4 061 | (863) |
| Attributable to non-controlling interests: | | | | |
| Continuing operations | | 5 | 16 | (139) |
| Discontinued operations | | – | 5 | 19 |
| Total attributable to non-controlling interests | | 5 | 21 | (120) |

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

| At December 31 | Notes | 2015 EURm | 2014 EURm |
|--|------------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 10, 16 | 237 | 2 563 |
| Other intangible assets | 16 | 323 | 350 |
| Property, plant and equipment | 17 | 695 | 716 |
| Investments in associated companies and joint ventures | 18 | 84 | 51 |
| Available-for-sale investments | 19 | 1 004 | 828 |
| Deferred tax assets | 14 | 2 634 | 2 720 |
| Long-term loans receivable | 19, 35 | 49 | 34 |
| Prepaid pension costs | 8 | 25 | 30 |
| Other non-current assets | | 51 | 47 |
| | | 5 102 | 7 339 |
| Current assets | | | |
| Inventories | 21 | 1 014 | 1 275 |
| Accounts receivable, net of allowances for doubtful accounts | 19, 22, 35 | 3 913 | 3 430 |
| Prepaid expenses and accrued income | 23 | 749 | 913 |
| Current income tax assets | | 171 | 124 |
| Current portion of long-term loans receivable | 19, 35 | 21 | 1 |
| Other financial assets | 19, 20, 35 | 107 | 266 |
| Investments at fair value through profit and loss, liquid assets | 19, 35 | 687 | 418 |
| Available-for-sale investments, liquid assets | 19, 35 | 2 167 | 2 127 |
| Cash and cash equivalents | 19, 35 | 6 995 | 5 170 |
| | | 15 824 | 13 724 |
| Total assets | | 20 926 | 21 063 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Capital and reserves attributable to equity holders of the parent | | | |
| Share capital | 24 | 246 | 246 |
| Share issue premium | | 380 | 439 |
| Treasury shares at cost | | (718) | (988) |
| Translation differences | 26 | 292 | 1 099 |
| Fair value and other reserves | 27 | 204 | 22 |
| Reserve for invested non-restricted equity | | 3 820 | 3 083 |
| Retained earnings | | 6 279 | 4 710 |
| | | 10 503 | 8 611 |
| Non-controlling interests | | 21 | 58 |
| Total equity | | 10 524 | 8 669 |
| Non-current liabilities | | | |
| Long-term interest-bearing liabilities | 19, 35 | 2 023 | 2 576 |
| Deferred tax liabilities | 14 | 61 | 32 |
| Defined benefit pension liabilities | 8 | 423 | 530 |
| Deferred revenue and other long-term liabilities | 19, 29 | 1 254 | 1 667 |
| Provisions | 28 | 250 | 301 |
| | | 4 011 | 5 106 |
| Current liabilities | | | |
| Current portion of long-term interest-bearing liabilities | 19, 35 | 1 | 1 |
| Short-term borrowings | 19, 35 | 50 | 115 |
| Other financial liabilities | 19, 20, 35 | 114 | 174 |
| Current income tax liabilities | | 446 | 481 |
| Accounts payable | 19, 35 | 1 910 | 2 313 |
| Accrued expenses, deferred revenue and other liabilities | 29 | 3 395 | 3 632 |
| Provisions | 28 | 475 | 572 |
| | | 6 391 | 7 288 |
| Total liabilities | | 10 402 | 12 394 |
| Total shareholders' equity and liabilities | | 20 926 | 21 063 |

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

| For the year ended December 31 | Notes | 2015 EURm | 2014 EURm | 2013 EURm |
|---|-------|--------------|----------------|----------------|
| Cash flow from operating activities | | | | |
| Profit/(loss) for the year | | 2 468 | 3 476 | (739) |
| Adjustments, total | 32 | (261) | (2 262) | 1 913 |
| Change in net working capital | 32 | (998) | 1 153 | (945) |
| Cash from operations | | 1 209 | 2 367 | 229 |
| Interest received | | 62 | 45 | 92 |
| Interest paid | | (99) | (336) | (208) |
| Other financial income and expenses, net (paid)/received | | (375) | (165) | 345 |
| Income taxes, net paid | | (290) | (636) | (386) |
| Net cash from operating activities | | 507 | 1 275 | 72 |
| Cash flow from investing activities | | | | |
| Acquisition of businesses, net of acquired cash | | (98) | (175) | – |
| Purchase of current available-for-sale investments, liquid assets | | (3 133) | (2 977) | (1 021) |
| Purchase of investments at fair value through profit and loss, liquid assets | | (311) | – | – |
| Purchase of non-current available-for-sale investments | | (88) | (73) | (53) |
| (Payment of)/proceeds from other long-term loans receivable | | (2) | 7 | (1) |
| (Payment of)/proceeds from short-term loans receivable | | (17) | 20 | 4 |
| Purchases of property, plant and equipment, and intangible assets | | (314) | (311) | (407) |
| Proceeds from/(payment for) disposal of businesses, net of disposed cash ⁽¹⁾ | | 2 586 | 2 508 | (63) |
| Proceeds from disposal/(purchase) of shares in associated companies | | – | 7 | (8) |
| Proceeds from maturities and sale of investments, liquid assets | | 3 074 | 1 774 | 586 |
| Proceeds from maturities and sale of investments at fair value through profit and loss, liquid assets | | 48 | – | – |
| Proceeds from sale of non-current available-for-sale investments | | 149 | 62 | 129 |
| Proceeds from sale of property, plant and equipment and intangible assets | | – | 44 | 138 |
| Dividends received | | 2 | – | 5 |
| Net cash from/(used in) investing activities | | 1 896 | 886 | (691) |
| Cash flow from financing activities | | | | |
| Purchase of treasury shares | | (173) | (427) | – |
| Purchase of a subsidiary's equity instruments | | (52) | (45) | (1 707) |
| Proceeds from long-term borrowings | | 232 | 79 | 2 291 |
| Repayment of long-term borrowings | | (24) | (2 749) | (862) |
| Repayment of short-term borrowings | | (55) | (42) | (128) |
| Dividends paid and other contributions to shareholders | | (512) | (1 392) | (71) |
| Net cash used in financing activities | | (584) | (4 576) | (477) |
| Foreign exchange adjustment | | 6 | (48) | (223) |
| Net increase/(decrease) in cash and cash equivalents | | 1 825 | (2 463) | (1 319) |
| Cash and cash equivalents at beginning of year | | 5 170 | 7 633 | 8 952 |
| Cash and cash equivalents at end of year | | 6 995 | 5 170 | 7 633 |

(1) In 2014, proceeds from the Sale of the D&S Business are presented net of the amount of principal and accrued interest on the repaid convertible bonds.

The consolidated statement of cash flows combines cash flows from both the Continuing and the Discontinued operations. Refer to Note 3, Disposals treated as Discontinued operations.

The amounts in the consolidated statement of cash flows cannot be directly traced from the statement of financial position without additional information on the acquisitions and disposals of subsidiaries and the net foreign exchange differences arising on consolidation.

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in shareholders' equity

| EURm | Notes | Number of shares outstanding (000s) | Share capital | Share issue premium | Treasury shares | Translation differences | Fair value and other reserves | Reserve for invested non-restricted equity | Retained earnings | Equity holders of the parent | Non-controlling interests | Total |
|--|--------|-------------------------------------|---------------|---------------------|-----------------|-------------------------|-------------------------------|--|-------------------|------------------------------|---------------------------|----------------|
| At January 1, 2013 | | 3 710 985 | 246 | 446 | (629) | 746 | (5) | 3 136 | 3 997 | 7 937 | 1 302 | 9 239 |
| Remeasurements of defined benefit plans, net of tax | 27 | | | | | | 55 | | | 55 | 25 | 80 |
| Translation differences | 26 | | | | | (468) | | | | (468) | (28) | (496) |
| Net investment hedge gains, net of tax | 26 | | | | | 114 | | | | 114 | | 114 |
| Cash flow hedges, net of tax | | | | | | | (3) | | | (3) | 7 | 4 |
| Available-for-sale investments, net of tax | 27 | | | | | | 49 | | | 49 | | 49 |
| Other increase, net | | | | | | | | | 5 | 5 | | 5 |
| Loss for the year | | | | | | | | | (615) | (615) | (124) | (739) |
| Total comprehensive (loss)/ income for the year | | | – | – | – | (354) | 101 | – | (610) | (863) | (120) | (983) |
| Share-based payment | | | | 25 | | | | | | 25 | | 25 |
| Settlement of performance and restricted shares | | 1 404 | | (7) | 26 | | | (21) | | (2) | | (2) |
| Dividends ⁽¹⁾ | | | | | | | | | | – | (37) | (37) |
| Acquisition of non-controlling interests | 26, 27 | | | (3) | | 42 | (16) | | (806) | (783) | (924) | (1 707) |
| Other changes in non-controlling interests | | | | | | | | | | – | (29) | (29) |
| Convertible bond—equity component | | | | 154 | | | | | | 154 | | 154 |
| Convertible bond—conversion to equity | | 38 | | | | | | | | | | |
| Total other equity movements | | | – | 169 | 26 | 42 | (16) | (21) | (806) | (606) | (990) | (1 596) |
| At December 31, 2013 | | 3 712 427 | 246 | 615 | (603) | 434 | 80 | 3 115 | 2 581 | 6 468 | 192 | 6 660 |
| Remeasurements of defined benefit plans, net of tax | 27 | | | | | | (142) | | (46) | (188) | | (188) |
| Translation differences | 26 | | | | | 813 | | | | 813 | 7 | 820 |
| Net investment hedge losses, net of tax | 26 | | | | | (148) | | | | (148) | | (148) |
| Cash flow hedges, net of tax | | | | | | | (30) | | | (30) | | (30) |
| Available-for-sale investments, net of tax | 27 | | | | | | 103 | | | 103 | | 103 |
| Other increase, net | | | | | | | 10 | | 39 | 49 | | 49 |
| Profit for the year | | | | | | | | | 3 462 | 3 462 | 14 | 3 476 |
| Total comprehensive income/ (loss) for the year | | | – | – | – | 665 | (59) | – | 3 455 | 4 061 | 21 | 4 082 |
| Share-based payment | | | | 4 | | | | | | 4 | | 4 |
| Excess tax benefit on share-based payment | | | | 10 | | | | | | 10 | | 10 |
| Settlement of performance and restricted shares | | 2 570 | | (25) | 47 | | | (32) | | (10) | | (10) |
| Acquisition of treasury shares | | (66 904) | | | (427) | | | | | (427) | | (427) |
| Stock options exercise | 24 | 50 | | | | | | | | – | | – |
| Dividends ⁽¹⁾ | | | | | | | | | (1 374) | (1 374) | (9) | (1 383) |
| Disposal of subsidiaries | | | | | | | | | | – | (109) | (109) |
| Acquisition of non-controlling interests | | | | | | | | | (7) | (7) | (38) | (45) |
| Convertible bond—equity component | | | | (114) | | | | | | (114) | | (114) |
| Other movements | | | | (51) | (5) | | 1 | | 55 | – | 1 | 1 |
| Total other equity movements | | | – | (176) | (385) | – | 1 | (32) | (1 326) | (1 918) | (155) | (2 073) |
| At December 31, 2014 | | 3 648 143 | 246 | 439 | (988) | 1 099 | 22 | 3 083 | 4 710 | 8 611 | 58 | 8 669 |

| EURm | Notes | Number of shares outstanding (000s) | Share capital | Share issue premium | Treasury shares | Translation differences | Fair value and other reserves | Reserve for invested non-restricted equity | Retained earnings | Equity holders of the parent | Non-controlling interests | Total |
|--|-------|-------------------------------------|---------------|---------------------|-----------------|-------------------------|-------------------------------|--|-------------------|------------------------------|---------------------------|---------------|
| At December 31, 2014 | | 3 648 143 | 246 | 439 | (988) | 1 099 | 22 | 3 083 | 4 710 | 8 611 | 58 | 8 669 |
| Remeasurements of defined benefit plans, net of tax | 27 | | | | | | 85 | | (7) | 78 | | 78 |
| Translation differences | 26 | | | | | (1 057) | | | | (1 057) | 4 | (1 053) |
| Net investment hedge gains, net of tax | 26 | | | | | 252 | | | | 252 | | 252 |
| Cash flow hedges, net of tax | | | | | | | (4) | | | (4) | | (4) |
| Available-for-sale investments, net of tax | 27 | | | | | | 95 | | | 95 | | 95 |
| Other increase/(decrease), net | | | | | | | 6 | | 1 | 7 | (1) | 6 |
| Profit for the year | | | | | | | | | 2 466 | 2 466 | 2 | 2 468 |
| Total comprehensive (loss)/ income for the year | | | – | – | – | (805) | 182 | – | 2 460 | 1 837 | 5 | 1 842 |
| Share-based payment | | | | 34 | | | | | | 34 | | 34 |
| Excess tax benefit on share-based payment | | | | (2) | | | | | | (2) | | (2) |
| Settlement of performance and restricted shares | | 1 281 | | (12) | 24 | | | (16) | | (4) | | (4) |
| Acquisition of treasury shares | | (24 516) | | | (174) | | | | | (174) | | (174) |
| Cancellation of treasury shares | | | | | 427 | | | | (427) | – | | – |
| Stock options exercise | 24 | 1 042 | | | | | | 4 | | 4 | | 4 |
| Dividends ⁽¹⁾ | | | | | | | | | (507) | (507) | (5) | (512) |
| Acquisition of non-controlling interests | | | | | | | | | (15) | (15) | (37) | (52) |
| Convertible bond—equity component | | | | (57) | | | | | 57 | – | | – |
| Convertible bond—conversion to equity | | 313 681 | | (30) | | | | 750 | | 720 | | 720 |
| Other movements | | (436) | | 8 | (7) | (2) | | (1) | 1 | (1) | | (1) |
| Total other equity movements | | | – | (59) | 270 | (2) | – | 737 | (891) | 55 | (42) | 13 |
| At December 31, 2015 | | 3 939 195 | 246 | 380 | (718) | 292 | 204 | 3 820 | 6 279 | 10 503 | 21 | 10 524 |

(1) Dividend declared is EUR 0.16 per share and a special dividend declared is EUR 0.10 per share, subject to shareholders' approval (dividend EUR 0.14 per share for 2014 and EUR 0.11 per share for 2013; special dividend EUR 0.26 per share for 2013).

The notes are an integral part of these consolidated financial statements.

Notes to consolidated financial statements

1. Accounting principles

Corporate information

Nokia Oyj, a public limited liability company incorporated and domiciled in Helsinki, Finland, is the parent company for all its subsidiaries ("Nokia" or "the Group"). The Group's operational headquarters are located in Espoo, Finland. The Group is listed on the Nasdaq Helsinki stock exchange, the New York stock exchange and the Euronext Paris stock exchange.

The Group is a leading global provider of network infrastructure and related services, with a focus on mobile broadband, as well as advanced technology development and licensing.

On March 31, 2016 the Board of Directors authorized the financial statements for 2015 for issuance and filing.

Basis of presentation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union ("IFRS"). The consolidated financial statements are presented in millions of euros ("EURm"), except as otherwise noted, and are prepared under the historical cost convention, except as disclosed in the accounting policies below. The notes to the consolidated financial statements also conform to the Finnish accounting legislation.

The Group presents two businesses as Discontinued operations in these consolidated financial statements. In 2015, the HERE business was sold and this is referred to as the "Sale of the HERE Business". In 2014, substantially all of the Devices & Services business was sold and this is referred to as the "Sale of the D&S Business". Refer to Note 3, Disposals treated as Discontinued operations.

In 2015, comparative presentation of certain items in the consolidated financial statements has been modified to conform with current year presentation.

Other information

This paragraph is included in connection with statutory reporting requirements in Germany. The fully consolidated German subsidiary, Nokia Solutions and Networks GmbH & Co. KG, registered in the commercial register of Munich under HRA 88537, has made use of the exemption available under § 264b of the German Commercial Code ("HGB").

Adoption of pronouncements under IFRS

On January 1, 2015, the Group adopted amendments to multiple IFRS standards, which resulted from the IASB's annual improvement projects for the 2010-2012 and 2011-2013 cycles. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments did not have a material impact on the Group's consolidated financial statements.

Significant accounting principles

Principles of consolidation

The consolidated financial statements comprise the financial statements of Nokia Oyj as the parent company ("Parent Company"), and each of those companies over which the Group exercises control. Control over an entity exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Group has less than a majority of voting or similar rights in an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over an entity, including the contractual arrangements and the Group's voting rights and potential voting rights. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All inter-company transactions are eliminated as part of the consolidation process. Non-controlling interests are presented separately as a component of net profit and are shown as a component of shareholders' equity in the consolidated statement of financial position.

Acquired entities or businesses have been consolidated from the date on which control over the net assets and operations was transferred to the Group. Similarly, the results of Group entities or businesses disposed of are included in the consolidated financial statements only up to the date of disposal.

Business combinations

The acquisition method of accounting is used to account for acquisitions of separate entities or businesses. The consideration transferred in a business combination is measured as the aggregate of the fair values of the assets transferred, liabilities incurred towards the former owners of the acquired entity or business and equity instruments issued. Acquisition-related costs are recognized as expenses in the consolidated income statement in the period in which the costs are incurred and the related services are received. Identifiable assets acquired and liabilities assumed are measured separately at the acquisition date fair values.

Non-controlling interests in the acquired business are measured separately at fair value or at the non-controlling interests' proportionate share of the identifiable net assets of the acquired business. The excess of the cost of the aggregate consideration transferred over the acquisition date fair values of the identifiable net assets acquired is recorded as goodwill.

Investment in associates and joint ventures

An associate is an entity over which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's share of profits and losses of associates and joint ventures is included in the consolidated income statement in accordance with the equity method of accounting. Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. After the carrying amount of the Group's interest is reduced to nil, in case of a loss-making investment, losses continue to be recognized when it is considered that a constructive obligation exists.

Disposal of separate entities or businesses

If upon disposal the Group loses control of a separate entity or business, it records a gain or loss on disposal at the date when control is lost. The gain or loss on disposal is calculated as the difference between the fair value of the consideration received and the carrying amounts of derecognized assets and liabilities of the disposed entity or business attributable to the equity holders of the parent and non-controlling interest, adjusted by amounts recognized in other comprehensive income in relation to that entity or business.

Discontinued operations and assets held for disposal

Discontinued operations are reported when a component of the Group, comprising operations and cash flows that can be clearly distinguished both operationally and for financial reporting purposes from the rest of the Group, is classified as held for disposal or has been disposed of, and the component represents a major line of business or geographical area of operations, or is a part of a single coordinated plan to dispose of a separate major line of business or

geographical area of operations. Profit or loss from Discontinued operations is reported separately from income and expenses from Continuing operations in the consolidated income statement, with prior periods presented on a comparative basis. Cash flows for Discontinued operations are presented separately in the notes to the consolidated financial statements. Inter-group revenues and expenses between Continuing and Discontinued operations are eliminated, except for those revenues and expenses that are considered to continue after the disposal of the Discontinued operations.

Non-current assets or disposal groups are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and the sale must be highly probable. These assets, or in the case of disposal groups, assets and liabilities, are presented separately in the consolidated statement of financial position and measured at the lower of the carrying amount and fair value less costs of disposal. Non-current assets classified as held for sale, or included in a disposal group classified as held for sale, are not depreciated.

Revenue recognition

Revenue is recognized when the following criteria for the transaction have been met: significant risks and rewards of ownership have transferred to the buyer; continuing managerial involvement and effective control usually associated with ownership have ceased; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Group; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable net of discounts and excluding taxes and duties.

Recurring service revenue which includes managed services and maintenance services is generally recognized on a straight-line basis over the agreed period, unless there is evidence that some other method better represents the rendering of services.

The Group enters into contracts consisting of any combination of hardware, services and software. Within these multiple element arrangements, separate components are identified and accounted for based on the nature of those components, considering the economic substance of the entire arrangement. Revenue is allocated to each separately identifiable component based on the relative fair value of each component. The fair value of each component is determined by taking into consideration factors such as the price of the component when sold separately and the component cost plus a reasonable margin when price references are not available. The revenue allocated to each component is recognized when the revenue recognition criteria for that component have been met.

Revenue from contracts involving the construction of an asset according to customer specifications is recognized using the percentage of completion method. Stage of completion is measured by reference to cost incurred to date as a percentage of estimated total project costs for each contract.

Revenue on license fees is recognized in accordance with the substance of the relevant agreements. Where, subsequent to the initial licensing transaction, the Group has no remaining obligations to perform and licensing fees are non-refundable, revenue is recognized after the customer has been provided access to the underlying asset. Where the Group retains obligations related to the licensed asset after the initial licensing transaction, revenue is typically recognized over a period of time during which remaining performance obligations are satisfied. In some multiple element licensing transactions, the Group applies the residual method in the absence of reference information.

Net sales includes revenue from all licensing negotiations, litigations and arbitrations to the extent that the criteria for revenue recognition have been met.

Research and development

Research costs are expensed as incurred. Development costs may be recognized as an intangible asset if the Group has the technical feasibility to complete the asset; has an ability and intention to use or sell the asset; can demonstrate that the asset will generate future economic benefits; has resources available to complete the asset; and has the ability to measure reliably the expenditure during development. The intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. The asset is amortised over the period of expected future benefit.

Employee benefits

Pensions

The Group companies have various pension plans in accordance with the local conditions and practices in the countries in which they operate. The plans are generally funded through payments to insurance companies or contributions to trustee-administered funds as determined by periodic actuarial calculations.

In a defined contribution plan, the Group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. The Group's contributions to defined contribution plans, multi-employer and insured plans are recognized in the consolidated income statement in the period to which the contributions relate. If a pension plan is funded through an insurance contract where the Group does not retain any legal or constructive obligations, the plan is treated as a defined contribution plan. All arrangements that do not fulfill these conditions are considered defined benefit plans.

For defined benefit plans, pension costs are assessed using the projected unit credit method: the pension cost is recognized in the consolidated income statement so as to spread the current service cost over the service lives of employees. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates on high-quality corporate bonds or government bonds with appropriate maturities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs and settlement gains and losses are recognized immediately in the consolidated income statement as part of service cost, when the plan amendment, curtailment or settlement occurs. Curtailment gains and losses are accounted for as past service costs.

The liability or asset recognized in the consolidated statement of financial position is the pension obligation at the closing date less the fair value of plan assets including effects relating to any asset ceiling.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets, excluding amounts recognized in net interest, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through the consolidated statement of comprehensive income in the period in which they occur. Remeasurements are not reclassified to the consolidated income statement in subsequent periods.

Actuarial valuations for the Group's defined benefit pension plans are performed annually or when a material curtailment or settlement of a defined benefit plan occurs.

Notes to consolidated financial statements continued

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Local laws may provide employees with the right to benefits from the employer upon termination whether the termination is voluntary or involuntary. For these specific termination benefits, the portion of the benefit that the company would be required to pay to the employee in the case of voluntary termination is treated as a constructive obligation determined by local law and accounted for as a defined benefit arrangement as described in the pensions section above.

Share-based payment

The Group offers three types of global equity-settled share-based compensation plans for employees: stock options, performance shares and restricted shares.

Employee services received and the corresponding increase in equity are measured by reference to the fair value of the equity instruments at the grant date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions attached to the performance shares are included in assumptions about the number of shares that the employee will ultimately receive. The Group reviews the assumptions made on a regular basis and, where necessary, revises its estimates of the number of performance shares that are expected to be settled. Plans that apply tranched vesting are accounted for under the graded vesting model. Share-based compensation is recognized as an expense in the consolidated income statement over the relevant service periods.

The Group has issued certain stock options which are accounted for as cash-settled. The related employee services received and the liabilities incurred are measured at the fair value of the liability. The fair value of stock options is estimated based on the reporting date market value less the exercise price of the stock options. The fair value of the liability is remeasured at each statement of financial position date and at the date of settlement, with changes in fair value recognized in the consolidated income statement over the relevant service periods.

Income taxes

The income tax expense comprises current tax and deferred tax. Tax is recognized in the consolidated income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity, then the related tax is recognized in other comprehensive income or equity, respectively.

Current taxes are based on the results of the Group companies and are calculated using the local tax laws and tax rates that are enacted or substantively enacted at each consolidated statement of financial position date. Corporate taxes withheld at the source of the income on behalf of the Group companies, both recoverable and irrecoverable, as well as penalties and interests on income taxes are accounted for in income taxes.

The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It adjusts the amounts recorded, where appropriate, on the basis of amounts expected to be paid to the tax authorities. The amount of current income tax liabilities for uncertain income tax positions is recognized when it is more likely than not that certain tax positions will be challenged and may not be fully sustained upon review by tax authorities. The amounts recorded are based upon the estimated future settlement amount at each consolidated statement of financial position date.

Deferred tax assets and liabilities are determined using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized before the unused tax losses or unused tax credits expire. Deferred tax assets are assessed for realizability at each statement of financial position date. When circumstances indicate it is no longer probable that deferred tax assets will be utilized, adjustments are made as necessary. Deferred tax liabilities are recognized for temporary differences that arise between the fair value and the tax base of identifiable net assets acquired in business combinations. Deferred tax assets and deferred tax liabilities are offset for presentation purposes when there is a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

The enacted or substantively enacted tax rates at each consolidated statement of financial position date that are expected to apply in the period when the asset is realized or the liability is settled are used in the measurement of deferred tax assets and deferred tax liabilities.

Foreign currency translation

Functional and presentation currency

The financial statements of all Group entities are measured using functional currency, which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in euro, the functional and presentation currency of the parent.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at exchange rates prevailing at the dates of the individual transactions. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used. At the end of the accounting period, the unsettled balances on foreign currency monetary assets and liabilities are valued at the exchange rates prevailing at the end of the accounting period. Foreign exchange gains and losses arising from statement of financial position items and fair value changes of related hedging instruments are recognized in financial income and expenses. Unrealized foreign exchange gains and losses related to non-current available-for-sale investments, such as equity investments, are recognized in other comprehensive income.

Foreign Group companies

All income and expenses of foreign Group companies where the functional currency is not euro are translated into euro at the average foreign exchange rates for the accounting period. All assets and liabilities of foreign Group companies are translated into euro at foreign exchange rates prevailing at the end of the accounting period. Differences resulting from the translation of income and expenses at the average rate and assets and liabilities at the closing rate are recognized as translation differences in other comprehensive income.

On the disposal of all or part of a foreign Group company through sale, liquidation, repayment of share capital or abandonment, the cumulative amount or proportionate share of translation differences is recognized as income or expense when the gain or loss on disposal is recognized.

Foreign Group companies in hyperinflationary economies

The financial statements of foreign Group companies where the functional currency is the currency of a hyperinflationary economy are adjusted to reflect changes in general purchasing power. Non-monetary items in the statement of financial position and all items in the income statement are restated to the current purchasing power by applying the general price index and translated into euro using the measuring unit current at the end of the accounting period. Inflationary gains and losses on the net monetary position are recognized as gains and losses in the consolidated income statement. Comparatives presented as current year amounts in the prior year financial statements in a stable currency are not restated.

Assessment of the recoverability of long-lived assets, intangible assets and goodwill

The Group assesses the carrying value of goodwill annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. The carrying value of identifiable intangible assets and long-lived assets is assessed if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include, but are not limited to, underperformance relative to historical or projected future results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business, and significant negative industry or economic trends.

For purposes of impairment testing, goodwill has been allocated to the cash-generating units or groups of cash-generating units ("CGUs") expected to benefit from the synergies of the combination. A cash-generating unit, as determined for the purposes of the Group's goodwill impairment testing, is the smallest group of assets, including goodwill, generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Group conducts its impairment testing by determining the recoverable amount for the asset or cash-generating unit. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value-in-use. The recoverable amount is compared with the asset or cash-generating unit's carrying value. The carrying value of a cash-generating unit's net assets is determined by allocating relevant net assets to cash-generating units on a reasonable and consistent basis. An impairment loss is recognized immediately in the consolidated income statement if the recoverable amount for an asset or a cash-generating unit is less than its carrying value.

Other intangible assets

Acquired patents, trademarks, licenses, software licenses for internal use, customer relationships and developed technology are capitalized and amortized using the straight-line method over their useful lives, generally three to seven years. When an indication of impairment exists, the carrying amount of the related intangible asset is assessed for recoverability. Any resulting impairment losses are recognized immediately in the consolidated income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the expected useful lives of the assets as follows:

| | |
|--|-------------|
| Buildings and constructions | |
| Buildings and constructions | 20–33 years |
| Light buildings and constructions | 3–20 years |
| Machinery and equipment | |
| Production machinery, measuring and test equipment | 1–5 years |
| Other machinery and equipment | 3–10 years |

Land and water areas are not depreciated. Assets held for sale are not depreciated as they are carried at the lower of carrying value and fair value less costs to sell.

Maintenance, repairs and renewals are generally expensed in the period in which they are incurred. However, major renovations are capitalized and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset. Leasehold improvements are depreciated over the shorter of the lease term and the useful life. Gains and losses on the disposal of property, plant and equipment are included in operating profit or loss.

Leases

The Group has entered into various operating lease contracts. The related payments are treated as rental expenses and recognized in the consolidated income statement on a straight-line basis over the lease terms unless another systematic approach is more representative of the pattern of the Group's benefit.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using standard cost, which approximates actual cost on a first-in first-out ("FIFO") basis. Net realizable value is the amount that can be realized from the sale of the inventory in the normal course of business after allowing for the costs of realization. In addition to the cost of materials and direct labor, an appropriate proportion of production overhead is included in the inventory values. An allowance is recorded for excess inventory and obsolescence based on the lower of cost and net realizable value.

Fair value measurement

A number of financial instruments are measured at fair value at each consolidated statement of financial position date after initial recognition. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest by using quoted market rates, discounted cash flow analyses and other appropriate valuation models. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair values are being measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Notes to consolidated financial statements continued

Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2—Valuation techniques for which significant inputs other than quoted prices are directly or indirectly observable; and

Level 3—Valuation techniques for which significant inputs are unobservable.

The Group categorizes assets and liabilities that are measured at fair value on a recurring basis into an appropriate level of the fair value hierarchy at the end of each reporting period.

Financial assets

The Group has classified its financial assets in the following categories: available-for-sale investments, derivative and other current financial assets, loans receivable, accounts receivable, financial assets at fair value through profit or loss, and cash and cash equivalents. Derivatives are described in the section on derivative financial instruments.

Available-for-sale investments

The Group invests a portion of the cash needed to cover the projected cash needs of its ongoing business operations in highly liquid, interest-bearing investments and certain equity instruments.

The following investments are classified as available-for-sale based on the purpose of the investment and the Group's ongoing intentions:

(1) Available-for-sale investments, liquid assets consist of highly liquid, fixed-income and money-market investments with maturities at acquisition of more than three months, as well as bank deposits with maturities or contractual call periods at acquisition of more than three months.

(2) Investments in technology-related publicly quoted equity shares or unlisted private equity shares and unlisted venture funds, classified in the consolidated statement of financial position as non-current available-for-sale investments.

Current fixed-income and money-market investments are fair valued by using quoted market rates, discounted cash flow analyses and other appropriate valuation models at the statement of financial position date. Investments in publicly quoted equity shares are measured at fair value using exchange quoted bid prices. Other available-for-sale investments carried at fair value include holdings in unlisted shares. Fair value is estimated using a number of methods, including, but not limited to: the current market value of similar instruments; prices established from a recent arm's-length financing transaction of target companies; and analysis of market prospects and operating performance of target companies, taking into consideration public market comparable companies in similar industry sectors. The Group uses judgment in selecting the appropriate valuation methodology as well as underlying assumptions based on existing market practice and conditions. Changes in these assumptions may cause the Group to recognize impairments or losses in future periods.

The remaining available-for-sale investments are carried at cost less impairment. These are technology-related investments in private equity shares and unlisted funds for which fair value cannot be measured reliably due to non-existent public markets or reliable valuation methods.

All purchases and sales of investments are recorded on the trade date, that is, when the Group commits to purchase or sell the asset.

Changes in the fair value of available-for-sale investments are recognized in fair value and other reserves as part of other comprehensive income, with the exception of interest calculated using the effective interest method and foreign exchange gains and losses on current available-for-sale investments recognized directly in the consolidated income statement. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement when the Group's right to receive payment is established. When the

investment is disposed of, the related accumulated fair value changes are released from other comprehensive income and recognized in the consolidated income statement. The weighted average method is used to determine the cost basis of publicly listed equities being disposed of. The FIFO method is used to determine the cost basis of fixed-income securities being disposed of. An impairment charge is recorded if the carrying amount of an available-for-sale investment is greater than the estimated fair value and there is objective evidence that the asset is impaired including, but not limited to, counterparty default and other factors causing a reduction in value that can be considered other than temporary. The cumulative net loss relating to the investment is removed from equity and recognized in the consolidated income statement for the period. If, in a subsequent period, the fair value of the investment in a non-equity instrument increases and the increase can be objectively related to an event occurring after the loss was recognized, the loss is reversed and the reversal is recognized in the consolidated income statement.

Investments at fair value through profit and loss, liquid assets

Certain highly liquid financial assets are designated at inception as investments at fair value through profit and loss, liquid assets. These investments must meet one of the following two criteria: the designation eliminates or significantly reduces an inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or the assets are part of a group of financial assets, which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy. These investments are initially recognized and subsequently remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the consolidated income statement.

Loans receivable

Loans receivable include loans to customers and suppliers and are measured initially at fair value and subsequently at amortized cost less impairment using the effective interest method. Loans are subject to regular review as to their collectability and available collateral. An allowance is made if a loan is deemed not to be fully recoverable. The related cost is recognized in other expenses or financial expenses, depending on the nature of the receivable to reflect the shortfall between the carrying amount and the present value of the expected future cash flows. Interest income on loans receivable is recognized in other income or financial income by applying the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and available-for-sale investments, cash equivalents. Available-for-sale investments, cash equivalents consist of highly liquid, fixed-income and money-market investments that are readily convertible to known amounts of cash with maturities at acquisition of three months or less, as well as bank deposits with maturities or contractual call periods at acquisition of three months or less. Due to the high credit quality and short-term nature of these investments, there is an insignificant risk of change in value.

Accounts receivable

Accounts receivable include amounts invoiced to customers, amounts where the Group's revenue recognition criteria have been fulfilled but the customers have not yet been invoiced, and amounts where the contractual rights to the cash flows have been confirmed but the customers have not yet been invoiced. Billed accounts receivable are carried at the original amount invoiced to customers less allowances for doubtful accounts. Allowances for doubtful accounts are based on a periodic review of all outstanding amounts, including an analysis of historical bad debt, customer concentrations, customer creditworthiness, past due amounts, current economic trends and changes in customer payment terms. Impairment charges on receivables identified as uncollectible are included in other operating

expenses. The Group derecognizes an accounts receivable balance only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of the asset to another entity.

Financial liabilities

The Group has classified its financial liabilities into the following categories: derivative and other current financial liabilities, compound financial instruments, loans payable, and accounts payable. Derivatives are described in the section on derivative financial instruments.

Compound financial instruments

Compound financial instruments have both a financial liability and an equity component from the issuers' perspective. The components are defined based on the terms of the financial instrument and presented and measured separately according to their substance. The financial liability component is initially recognized at fair value, the residual being allocated to the equity component. The allocation remains the same for the life of the compound financial instrument. The Group has issued convertible bonds for which the financial liability component is accounted for as a loan payable.

Loans payable

Loans payable are recognized initially at fair value net of transaction costs. In subsequent periods, loans payable are presented at amortized cost using the effective interest method. Transaction costs and loan interest are recognized in the consolidated income statement as financial expenses over the life of the instrument.

Accounts payable

Accounts payable are carried at invoiced amount which is considered to be the fair value due to the short-term nature of the Group's accounts payable.

Derivative financial instruments

All derivatives are recognized initially at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss varies according to whether the derivatives are designated and qualify under hedge accounting. Generally, the cash flows of a hedge are classified as cash flows from operating activities in the consolidated statement of cash flows as the underlying hedged items relate to the Group's operating activities. When a derivative contract is accounted for as a hedge of an identifiable position relating to financing or investing activities, the cash flows of the contract are classified in the same way as the cash flows of the position being hedged.

Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss

Forward foreign exchange contracts are valued at market-forward exchange rates. Changes in fair value are measured by comparing these rates with the original contract-forward rate. Currency options are valued at each statement of financial position date by using the Garman & Kohlhagen option valuation model. Changes in fair value are recognized in the consolidated income statement.

Fair values of forward rate agreements, interest rate options, futures contracts and exchange-traded options are calculated based on quoted market rates at each statement of financial position date. Discounted cash flow analyses are used to value interest rate and cross-currency interest rate swaps. Changes in fair value are recognized in the consolidated income statement.

For derivatives not designated under hedge accounting but hedging identifiable exposures such as anticipated foreign currency denominated sales and purchases, the gains and losses are recognized in other income or expenses. The gains and losses on all other derivatives not designated under hedge accounting are recognized in financial income and expenses.

Embedded derivatives, if any, are identified and monitored by the Group and measured at fair value at each consolidated statement of financial position date with changes in fair value recognized in the consolidated income statement.

Hedge accounting

The Group applies hedge accounting on certain forward foreign exchange contracts, certain options or option strategies, and certain interest rate derivatives. Qualifying options and option strategies have zero net premium or a net premium paid. For option structures, the critical terms of the bought and sold options are the same and the nominal amount of the sold option component is no greater than that of the bought option.

Cash flow hedges: hedging of forecast foreign currency denominated sales and purchases

The Group applies hedge accounting for 'qualifying hedges'. Qualifying hedges are those properly documented cash flow hedges of foreign exchange rate risk of future forecast foreign currency denominated sales and purchases that meet the requirements set out in IAS 39, Financial Instruments: Recognition and Measurement. The hedged item must be 'highly probable' and present an exposure to variations in cash flows that could ultimately affect profit or loss. The hedge must be highly effective, both prospectively and retrospectively.

For qualifying foreign exchange forwards, the change in fair value that reflects the change in spot exchange rates and, for qualifying foreign exchange options or option strategies, the change in intrinsic value are deferred in fair value and other reserves in the consolidated statement of shareholders' equity to the extent that the hedge is effective. The ineffective portion is recognized immediately in the consolidated income statement. Hedging costs, expressed either as the change in fair value that reflects the change in forward exchange rates less the change in spot exchange rates for forward foreign exchange contracts, or as changes in the time value for options or options strategies, are recognized in other income or expenses in the consolidated income statement.

Accumulated changes in fair value from qualifying hedges are released from fair value and other reserves into the consolidated income statement as adjustments to sales and cost of sales when the hedged cash flow affects the consolidated income statement. Forecast foreign currency sales and purchases affect the consolidated income statement at various dates up to approximately one year from the consolidated statement of financial position date. If the forecasted transaction is no longer expected to take place, all deferred gains or losses are released immediately into the consolidated income statement. If the hedged item ceases to be highly probable but is still expected to take place, accumulated gains and losses remain in fair value and other reserves until the hedged cash flow affects the consolidated income statement.

Cash flow hedges: hedging of foreign currency risk of highly probable business acquisitions and other transactions

From time to time, the Group hedges cash flow variability caused by foreign currency risk inherent in highly probable business acquisitions and other future transactions that result in the recognition of non-financial assets. When those non-financial assets are recognized in the consolidated statement of financial position, the gains and losses previously deferred in fair value and other reserves are transferred to the initial acquisition cost of the asset. The deferred amounts are ultimately recognized in the consolidated income statement as a result of goodwill assessments for business acquisitions and through depreciation or amortization for other assets. The application of hedge accounting is conditional on the forecast transaction being highly probable and the hedge being highly effective, prospectively and retrospectively.

Notes to consolidated financial statements continued

Cash flow hedges: hedging of cash flow variability on variable rate liabilities

From time to time, the Group applies cash flow hedge accounting for hedging cash flow variability on certain variable rate liabilities. The effective portion of the gain or loss relating to interest rate swaps hedging variable rate borrowings is deferred in fair value and other reserves. The gain or loss related to the ineffective portion is recognized immediately in the consolidated income statement. If hedging instruments are settled before the maturity date of the related liability, hedge accounting is discontinued and all cumulative gains and losses recycled gradually to the consolidated income statement when the hedged variable interest cash flows affect the consolidated income statement.

Fair value hedges

The Group applies fair value hedge accounting to reduce exposure to fair value fluctuations of interest-bearing liabilities due to changes in interest rates and foreign exchange rates. Changes in the fair value of derivatives designated and qualifying as fair value hedges, together with any changes in the fair value of hedged liabilities attributable to the hedged risk, are recognized in financial income and expenses. If the hedged item no longer meets the criteria for hedge accounting, hedge accounting ceases and any fair value adjustments made to the carrying amount of the hedged item while the hedge was effective are recognized in financial income and expenses based on the effective interest method.

Hedges of net investments in foreign operations

The Group applies hedge accounting for its foreign currency hedging on net investments. Qualifying hedges are those properly documented hedges of foreign exchange rate risk of foreign currency denominated net investments that are effective both prospectively and retrospectively.

The change in fair value that reflects the change in spot exchange rates for qualifying foreign exchange forwards, and the change in intrinsic value for qualifying foreign exchange options, are deferred in translation differences in the consolidated statement of shareholder's equity. The change in fair value that reflects the change in forward exchange rates less the change in spot exchange rates for forwards, and changes in time value for options are recognized in financial income and expenses. If a foreign currency denominated loan is used as a hedge, all foreign exchange gains and losses arising from the transaction are recognized in translation differences. The ineffective portion is recognized immediately in the consolidated income statement.

Accumulated changes in fair value from qualifying hedges are released from translation differences on the disposal of all or part of a foreign Group company by sale, liquidation, repayment of share capital or abandonment. The cumulative amount or proportionate share of changes in the fair value of qualifying hedges deferred in translation differences is recognized as income or expense when the gain or loss on disposal is recognized.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognized as an asset only when the reimbursement is virtually certain. The Group assesses the adequacy of its existing provisions and adjusts the amounts as necessary based on actual experience and changes in facts and circumstances at each statement of financial position date.

Restructuring provisions

The Group provides for the estimated cost to restructure when a detailed formal plan of restructuring has been completed, approved by management, and announced. Restructuring costs consist primarily of personnel restructuring charges. The other main components are costs associated with exiting real estate locations, and divestment-related charges.

Warranty provisions

The Group provides for the estimated liability to repair or replace products under warranty at the time revenue is recognized. The provision is an estimate based on historical experience of the level of repairs and replacements.

Project loss provisions

The Group provides for onerous contracts based on the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Litigation provisions

The Group provides for the estimated future settlements related to litigation based on the probable outcome of potential claims.

Material liability provisions

The Group recognizes the estimated liability for non-cancellable purchase commitments for inventory in excess of forecasted requirements at each statement of financial position date.

Other provisions

The Group provides for other legal and constructive obligations based on the expected cost of executing any such commitments.

Treasury shares

The Group recognizes its own equity instruments that are acquired ("treasury shares") as a reduction of equity at cost of acquisition. When cancelled, the acquisition cost of treasury shares is recognized in retained earnings.

Dividends

Dividends proposed by the Board of Directors are recognized in the consolidated financial statements when they have been approved by the shareholders at the Annual General Meeting.

Use of estimates and critical accounting judgments

The preparation of consolidated financial statements in accordance with IFRS requires the application of management judgment in selecting appropriate assumptions for calculating financial estimates. Management bases its estimates on historical experience, expected outcomes and various other assumptions that are believed to be reasonable under the circumstances. These estimates form the basis for the reported carrying values of assets and liabilities and recognized revenues and expenses that may not be readily apparent from other sources. Material estimates are revised if changes in circumstances occur or as a result of new information or more experience. As estimates inherently contain a varying degree of uncertainty, actual outcomes may differ, resulting in additional charges or credits to the consolidated income statement.

Management considers that the estimates, assumptions and judgments about the following accounting policies represent the most significant areas of estimation uncertainty and critical judgment that may have an impact on the Group's financial information.

Business combinations

The Group applies the acquisition method to account for acquisitions of separate entities or businesses. The determination of the fair value and allocation thereof to each separately identifiable asset acquired and liability assumed as well as the determination of the acquisition date, when the valuation and allocation is to be conducted require estimation and judgment.

Estimation and judgment are required in determining the fair value of the acquisition, including the discount rate, the terminal growth rate, the number of years on which to base the cash flow projections, and the assumptions and estimates used to determine the cash inflows and outflows. The discount rate reflects current assessments of the time value of money, relevant market risk premiums, and industry comparisons. Risk premiums reflect risks and uncertainties for which the future cash flow estimates have not been adjusted. Terminal values are based on the expected life of products and forecasted life cycle, and forecasted cash flows over that period. The assumptions are based on information available at the date of acquisition; actual results may differ materially from the forecast as more information becomes available. Refer to Note 4, Acquisitions.

Judgment is required in determining the date on which the Group obtains control of the acquiree (acquisition date). On April 15, 2015, the Group and Alcatel Lucent announced their intention to combine through a Public Exchange Offer (the "Exchange Offer") in France and in the United States. As part of the Exchange Offer, all holders of Alcatel Lucent ordinary shares, Alcatel Lucent American Depositary Shares ("ADS") and OCEANE convertible bonds (collectively, the "Alcatel Lucent Equity Securities") could exchange their Alcatel Lucent Equity Securities for Nokia shares on the basis of 0.55 of a new Nokia share for every Alcatel Lucent share.

The initial Exchange Offer period closed in December 2015. On January 7, 2016 the Exchange Offer was completed and shares were exchanged, which created legal standing for the acquisition. Under IFRS 3, however, the Group concluded that it was already the public announcement of the interim results of the successful initial Exchange Offer by the French stock market authority, Autorité des Marchés Financiers ("AMF") on January 4, 2016 that established a shared understanding between the Group, Alcatel Lucent and Alcatel Lucent shareholders that control of Alcatel Lucent had passed to the Group, and therefore the results of operations will be consolidated from January 4, 2016. Refer to Note 36, Subsequent events.

Revenue recognition

The Group enters into transactions involving multiple components consisting of any combination of hardware, services and software where the Group identifies the separate components and estimates their relative fair values, considering the economic substance of the entire arrangement. The fair value of each component is determined by taking into consideration factors such as the price of the component when sold separately and the component cost plus a reasonable margin when price references are not available. The determination of the fair value and allocation thereof to each separately identifiable component requires the use of estimates and judgment which may have a significant impact on the timing and amount of revenue recognized.

Net sales includes revenue from all licensing negotiations, litigations and arbitrations to the extent that the criteria for revenue recognition have been met. The final outcome may differ from the current estimate. Refer to Note 5, Revenue recognition.

Pension benefit obligations and expenses

The determination of pension benefit obligations and expenses for defined benefit pension plans is dependent on a number of estimates and assumptions, including the discount rate, future mortality rate, and annual rate of increase in future compensation levels. A portion of plan assets is invested in debt and equity securities, which are subject to market volatility. Changes in assumptions and actuarial estimates may materially affect the pension benefit obligation and future expense. Based on these estimates and assumptions, pension benefit obligations amount to EUR 1 840 million (EUR 1 884 million in 2014) and the fair value of plan assets amounts to EUR 1 451 million (EUR 1 387 million in 2014). Refer to Note 8, Pensions.

Income taxes

The Group is subject to income taxes in both Finland and a number of other jurisdictions. Judgment is required in determining current tax expense, uncertain tax positions, deferred tax assets and deferred tax liabilities; and the extent to which deferred tax assets can be recognized. Estimates related to the recoverability of deferred tax assets are based on forecasted future taxable income and tax planning strategies. Based on these estimates and assumptions, tax losses carry forward, temporary differences and tax credits for which no deferred tax assets are recognized due to uncertainty are EUR 1 412 million (EUR 2 550 million in 2014).

The utilization of deferred tax assets is dependent on future taxable profit in excess of the profit arising from the reversal of existing taxable temporary differences. The recognition of deferred tax assets is based on the assessment of whether it is more likely than not that sufficient taxable profit will be available in the future to utilize the reversal of deductible temporary differences, unused tax losses and unused tax credits before the unused tax losses and unused tax credits expire. Recognition of deferred tax assets involves judgment regarding the future financial performance of the particular legal entity or tax group that has recognized the deferred tax asset.

Liabilities for uncertain tax positions are recorded based on estimates and assumptions of the amount and likelihood of outflow of economic resources when it is more likely than not that certain positions will be challenged and may not be fully sustained upon review by local tax authorities. Currently, the Group has ongoing tax investigations in multiple jurisdictions, including India. Due to the inherently uncertain nature of tax investigations, the ultimate outcome or actual cost of settlement may vary materially from estimates. Refer to Note 13, Income tax, and Note 14, Deferred taxes.

Carrying value of cash-generating units ("CGUs")

The recoverable amounts of the Group's CGUs are determined using the fair value less costs of disposal method. Estimation and judgment are required in determining the components of the recoverable amount calculation, including the discount rate, the terminal growth rate, estimated revenue growth rates, profit margins, costs of disposal and the cost level of operational and capital investment. The discount rate reflects current assessments of the time value of money, relevant market risk premiums, and industry comparisons. Risk premiums reflect risks and uncertainties for which the future cash flow estimates have not been adjusted. Terminal values are based on the expected life of products and forecasted life cycle, and forecasted cash flows over that period. Based on these estimates and assumptions, goodwill amounts to EUR 237 million (EUR 2 563 million in 2014). Refer to Note 10, Impairment.

Allowances for doubtful accounts

Allowances for doubtful accounts are recognized for estimated losses resulting from customers' inability to meet payment obligations. Estimation and judgment are required in determining the value of allowances for doubtful accounts at each statement of financial position date. Management specifically analyzes account receivables and historical bad debt; customer concentrations; customer creditworthiness; past due balances; current economic trends; and changes in customer payment terms when determining allowances for doubtful accounts. Additional allowances may be required in future periods if financial positions of customers deteriorate, reducing their ability to meet payment obligations. Based on these estimates and assumptions, allowances for doubtful accounts are EUR 62 million (EUR 103 million in 2014), representing 2% of accounts receivable (3% in 2014). Refer to Note 22, Allowances for doubtful accounts.

Notes to consolidated financial statements continued

Allowances for excess and obsolete inventory

Allowances for excess and obsolete inventory are recognized for excess amounts, obsolescence and declines in net realizable value below cost. Estimation and judgment are required in determining the value of the allowance for excess and obsolete inventory at each statement of financial position date. Management specifically analyzes estimates of future demand for products when determining allowances for excess and obsolete inventory. Changes in these estimates could result in revisions to the valuation of inventory in future periods. Based on these estimates and assumptions, allowances for excess and obsolete inventory are EUR 195 million (EUR 204 million in 2014), representing 16% of inventory (14% in 2014). Refer to Note 21, Inventories.

Fair value of derivatives and other financial instruments

The fair value of derivatives and other financial instruments that are not traded in an active market such as unlisted equities is determined using valuation techniques. Estimation and judgment are required in selecting an appropriate valuation technique and in determining the underlying assumptions. Where quoted market prices are not available for unlisted shares, the fair value is based on a number of factors including, but not limited to, the current market value of similar instruments; prices established from recent arm's-length transactions; and/or analysis of market prospects and operating performance of target companies with reference to public market comparable companies in similar industry sectors. Changes in these estimates could result in impairments or losses in future periods. Based on these estimates and assumptions, the fair value of derivatives and other financial instruments that are not traded in an active market, using non-observable data (level 3 of the fair value hierarchy), is EUR 688 million (EUR 556 million in 2014), representing 6% of total financial assets measured at fair value on a recurring basis (7% in 2014). Refer to Note 19, Fair value of financial instruments.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. At times, judgment is required in determining whether the Group has a present obligation; estimation is required in determining the value of the obligation. Whilst provisions are based on the best estimate of unavoidable costs, management may be required to make a number of assumptions surrounding the amount and likelihood of outflow of economic resources, and the timing of payment. Changes in estimates of timing or amounts of costs to be incurred may become necessary as time passes and/or more accurate information becomes available. Based on these estimates and assumptions, provisions amount to EUR 725 million (EUR 873 million in 2014). Refer to Note 28, Provisions.

Legal contingencies

Legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions. Provisions are recognized for pending litigation when it is apparent that an unfavorable outcome is probable and a best estimate of unavoidable costs can be reasonably estimated. Due to the inherently uncertain nature of litigation, the ultimate outcome or actual cost of settlement may vary materially from estimates. Refer to Note 28, Provisions.

New accounting pronouncements under IFRS

The Group will adopt the following new and revised standards, amendments and interpretations to existing standards issued by the IASB that are expected to be relevant to its operations and financial position:

IFRS 9, Financial Instruments, was issued in July 2014 and replaces IAS 39, Financial Instruments: Recognition and Measurement. The Group will adopt the standard at the latest on the effective date of January 1, 2018. The adoption of the new standard will impact the classification and measurement of the Group's financial assets and introduces a new hedge accounting model. The Group is currently assessing the impact of IFRS 9.

IFRS 15, Revenue from Contracts with Customers, was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized to reflect the transfer of promised goods and services to customers for amounts that reflect the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. The Group will adopt the standard on the effective date of January 1, 2018. The adoption of the new standard is likely to have an impact on revenue recognition. The impact of IFRS 15 is currently being assessed.

IFRS 16, Leases, was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure requirements on leases. The Group expects to adopt the standard on the effective date of January 1, 2019. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of the new standard will have an impact on the way leases are recognized and presented. The full impact of IFRS 16 is currently being assessed.

On January 1, 2016, the Group will adopt amendments to multiple IFRS standards, which result from the IASB's annual improvement projects for the 2012-2014 cycle. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments will not have a material impact on the Group's consolidated financial statements.

2. Segment information

The Group has two businesses: Nokia Networks and Nokia Technologies; and three operating and reportable segments in its Continuing operations for financial reporting purposes: Mobile Broadband and Global Services within Nokia Networks, and Nokia Technologies.

Two businesses are presented as Discontinued operations. The HERE business formed an operating and reportable segment until December 4, 2015 when its sale was completed. The Devices & Services business formed an operating and reportable segment until April 25, 2014 when its sale was completed.

The Group adopted its current operational and reporting structure in 2013. On August 7, 2013 the Group announced that it had completed the acquisition of Siemens' stake in Nokia Networks. Until then, Nokia Networks was reported as a single operating and reportable segment. Following the completion of the transaction, Nokia Networks business has two operating and reportable segments, Mobile Broadband and Global Services. On September 2, 2013 the Group signed an agreement for the Sale of the D&S Business to Microsoft. After receiving shareholder confirmation and approval for the transaction at the Extraordinary General Meeting in November 2013, the Group has presented substantially all of its former Devices & Services business as Discontinued operations and Nokia Technologies, previously a part of the Devices & Services business, as an operating and reportable segment. On August 3, 2015 the Group announced the Sale of the HERE Business to a consortium of leading automotive companies, comprising AUDI AG, BMW Group and Daimler AG. Subsequent to the announcement, the Group has presented the HERE business as Discontinued operations. Refer to Note 3, Disposals treated as Discontinued operations.

The chief operating decision maker receives monthly financial information for the Group's operating and reportable segments. Key financial performance measures of the reportable segments include primarily non-IFRS net sales and non-IFRS operating profit. The chief operating decision maker evaluates the performance of the segments and allocates resources to them based on non-IFRS operating profit. The non-IFRS operating profit of Mobile Broadband, Global Services and Nokia Technologies excludes restructuring and associated charges, purchase price accounting-related charges and certain other items not directly related to these segments.

Mobile Broadband provides mobile operators with flexible network solutions for mobile voice and data services through its Radio and Core business lines. The Radio business consists of 2G to 5G technology generations. The Core business has a comprehensive mobile switching portfolio as well as voice and packet core solutions.

Global Services provides mobile operators with services to create and maintain effective networks. The services include network implementation, care, managed services, network planning and optimization as well as systems integration.

Nokia Networks Other includes net sales and related cost of sales and operating expenses of non-core businesses, IPR net sales and related costs, as well as the Optical Nokia Networks business until May 6, 2013, when its divestment was completed. It also includes restructuring and associated charges for the Nokia Networks business.

Nokia Technologies focuses on advanced technology development and licensing and includes net sales from both intellectual property right activities and technology licensing.

Group Common Functions consists of company-wide support functions.

The HERE business focused on the development of location intelligence, location-based services and local commerce. The HERE brand was introduced for the location and mapping service in 2012 and on January 1, 2013 the Group's former Location & Commerce business and reportable segment was renamed HERE.

The Devices & Services business focused on developing and selling smartphones powered by the Windows Phone system, feature phones and affordable smartphones.

Accounting policies of the segments are the same as those described in Note 1, Accounting principles. The Group accounts for inter-segment revenues and transfers as if the revenues were to third parties, that is, at current market prices.

No single customer represents 10% or more of Group revenues.

Notes to consolidated financial statements continued

Segment data

| Segment | Mobile Broadband ⁽¹⁾ | Global Services ⁽¹⁾ | Nokia Networks Other | Nokia Networks Total | Nokia Technologies ⁽¹⁾ | Group Common Functions | Eliminations | Non-IFRS ⁽²⁾ total | Non-IFRS ⁽²⁾ exclusions | Total |
|---|------------------------------------|-----------------------------------|----------------------------|----------------------------|--------------------------------------|------------------------------|--------------|----------------------------------|---------------------------------------|--------|
| Continuing operations | | | | | | | | | | |
| 2015 | | | | | | | | | | |
| Net sales to external customers | 6 064 | 5 422 | 4 | 11 490 | 1 009 | – | – | 12 499 | – | 12 499 |
| Net sales to other segments | – | – | – | – | 15 | – | (15) | – | – | – |
| Depreciation and amortization | 153 | 41 | – | 194 | 6 | 7 | – | 207 | 79 | 286 |
| Impairment charges | – | – | – | – | – | 11 | – | 11 | – | 11 |
| Operating profit | 604 | 653 | – | 1 257 | 720 | (28) | – | 1 949 | (261) | 1 688 |
| Share of results of associated companies and joint ventures | – | – | 43 | 43 | – | (14) | – | 29 | – | 29 |
| 2014 | | | | | | | | | | |
| Net sales to external customers | 6 038 | 5 105 | 54 | 11 197 | 564 | 1 | – | 11 762 | – | 11 762 |
| Net sales to other segments | 1 | – | – | 1 | 14 | – | (15) | – | – | – |
| Depreciation and amortization | 131 | 34 | – | 165 | 1 | 7 | – | 173 | 67 | 240 |
| Impairment charges | – | – | – | – | – | 15 | – | 15 | – | 15 |
| Operating profit | 683 | 653 | 28 | 1 364 | 357 | (121) | – | 1 600 | (188) | 1 412 |
| Share of results of associated companies and joint ventures | – | – | (9) | (9) | – | (3) | – | (12) | – | (12) |
| 2013 | | | | | | | | | | |
| Net sales to external customers | 5 346 | 5 752 | 182 | 11 280 | 515 | – | – | 11 795 | – | 11 795 |
| Net sales to other segments | 1 | 1 | – | 2 | 14 | – | (16) | – | – | – |
| Depreciation and amortization | 157 | 50 | 6 | 213 | 3 | 3 | – | 219 | 100 | 319 |
| Impairment charges | 1 | 1 | – | 2 | – | 6 | – | 8 | 12 | 20 |
| Operating profit | 422 | 693 | (26) | 1 089 | 329 | (30) | – | 1 388 | (716) | 672 |
| Share of results of associated companies and joint ventures | – | – | 8 | 8 | – | (4) | – | 4 | – | 4 |

(1) Represents an operating and reportable segment.

(2) Non-IFRS measures exclude goodwill impairment charges, intangible asset amortization and items related to purchase price allocation, as well as restructuring-related costs, costs related to the Alcatel Lucent transaction and certain other items that may not be indicative of the Group's underlying business.

Reconciliation of total non-IFRS operating profit to total operating profit

| EURm | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|
| Total non-IFRS operating profit | 1 949 | 1 600 | 1 388 |
| Restructuring and associated charges ⁽¹⁾ | (123) | (57) | (373) |
| Transaction and related costs, including integration costs relating to Alcatel Lucent acquisition ⁽²⁾ | (99) | (39) | (18) |
| Amortization of acquired intangible assets ⁽³⁾ | (79) | (67) | (100) |
| Divestment of businesses ⁽³⁾ | – | – | (157) |
| Country and contract exit charges ⁽³⁾ | – | – | (52) |
| Other | 40 | (25) | (16) |
| Total operating profit | 1 688 | 1 412 | 672 |

(1) In 2015, includes EUR 121 million related to Nokia Networks, EUR 3 million related to Nokia Technologies and a reversal of EUR 1 million related to Group Common Functions. In 2014, included EUR 57 million related to Nokia Networks. In 2013, included EUR 361 million related to Nokia Networks, EUR 2 million related to Nokia Technologies and EUR 10 million related to Group Common Functions.

(2) Relates to Group Common Functions.

(3) Relates to Nokia Networks.

Net sales to external customers by geographic location of customer

| EURm | 2015 | 2014 | 2013 |
|------------------------|---------------|---------------|---------------|
| Finland ⁽¹⁾ | 1 100 | 680 | 572 |
| United States | 1 489 | 1 445 | 1 255 |
| China | 1 323 | 994 | 881 |
| India | 1 098 | 768 | 641 |
| Japan | 877 | 1 194 | 1 388 |
| Russia | 438 | 498 | 377 |
| United Kingdom | 394 | 296 | 369 |
| Taiwan | 389 | 387 | 303 |
| Saudi Arabia | 364 | 291 | 297 |
| Italy | 355 | 345 | 313 |
| Other | 4 672 | 4 864 | 5 399 |
| Total | 12 499 | 11 762 | 11 795 |

(1) All Nokia Technologies net sales are allocated to Finland.

Non-current assets by geographic location⁽¹⁾

| EURm | 2015 | 2014 |
|---------------|--------------|--------------|
| Finland | 724 | 574 |
| United States | 159 | 2 686 |
| China | 129 | 117 |
| India | 70 | 71 |
| Other | 173 | 181 |
| Total | 1 255 | 3 629 |

(1) Consists of goodwill and other intangible assets and property, plant and equipment.

3. Disposals treated as Discontinued operations**Results of Discontinued operations**

| EURm | 2015 | 2014 | 2013 |
|---|--------------|----------------|--------------|
| Net sales | 1 075 | 3 428 | 11 649 |
| Cost of sales | (244) | (2 325) | (8 734) |
| Gross profit | 831 | 1 103 | 2 915 |
| Research and development expenses | (498) | (899) | (1 778) |
| Selling, general and administrative expenses | (213) | (628) | (1 747) |
| Other income and expenses | (23) | (1 354) | (133) |
| Operating profit/(loss) | 97 | (1 778) | (743) |
| Share of results of associated companies and joint ventures | – | – | 1 |
| Financial income and expenses | (9) | 10 | 7 |
| Profit/(loss) before tax | 88 | (1 768) | (735) |
| Income tax benefit/(expense) | 8 | (277) | (132) |
| Profit/(loss) for the year, ordinary activities | 96 | (2 045) | (867) |
| Gain on the Sale of the HERE and D&S Businesses, net of tax | 1 178 | 2 803 | – |
| Profit/(loss) for the year | 1 274 | 758 | (867) |

Sale of the HERE Business

On August 3, 2015 the Group announced the Sale of the HERE Business to a consortium of leading automotive companies, comprising AUDI AG, BMW Group and Daimler AG. Subsequent to the announcement, the Group has presented the HERE business as Discontinued operations. The HERE business was previously an operating and reportable segment and its business focused on the development of location intelligence, location-based services and local commerce. The Sale of the HERE Business was completed on December 4, 2015.

Notes to consolidated financial statements continued

Gain on the Sale of the HERE Business

| | EURm |
|--|--------------|
| Fair value of sales proceeds less costs to sell ⁽¹⁾ | 2 551 |
| Net assets disposed of | (2 667) |
| Total | (116) |
| Foreign exchange differences reclassified from other comprehensive income ⁽²⁾ | 1 174 |
| Gain before tax | 1 058 |
| Income tax benefit ⁽³⁾ | 120 |
| Total gain | 1 178 |

(1) Comprises purchase price of EUR 2 800 million, offset by adjustments for certain defined liabilities of EUR 249 million.

(2) Includes cumulative translation differences for the duration of ownership from translation of mainly US dollar denominated balances into euro.

(3) The disposal was largely tax exempt, the tax benefit is due to hedging-related tax deductible losses.

Assets and liabilities, HERE business

Assets and liabilities disposed of at December 4, 2015:

| EURm | December 4, 2015 |
|---|------------------|
| Goodwill and other intangible assets | 2 722 |
| Property, plant and equipment | 115 |
| Deferred tax assets and non-current assets | 151 |
| Inventories | 14 |
| Trade and other receivables | 174 |
| Prepaid expenses and other current assets | 87 |
| Cash and cash equivalents and current available-for-sale investments, liquid assets | 56 |
| Total assets | 3 319 |
| Deferred tax liabilities and other liabilities | 286 |
| Trade and other payables | 55 |
| Deferred income and accrued expenses | 306 |
| Provisions | 5 |
| Total liabilities | 652 |
| Net assets disposed of | 2 667 |

Results of Discontinued operations, HERE business

| EURm | 2015 | 2014 | 2013 |
|--|--------------|----------------|--------------|
| Net sales | 1 075 | 970 | 914 |
| Cost of sales | (243) | (239) | (208) |
| Gross profit | 832 | 731 | 706 |
| Research and development expenses | (498) | (545) | (648) |
| Selling, general and administrative expenses | (198) | (181) | (187) |
| Other income and expenses ⁽¹⁾ | (18) | (1 247) | (24) |
| Operating profit/(loss) | 118 | (1 242) | (153) |
| Share of results of associated companies and joint ventures | – | – | 1 |
| Financial income and expenses | 2 | 5 | (3) |
| Profit/(loss) before tax | 120 | (1 237) | (155) |
| Income tax (expense)/benefit ⁽²⁾ | – | (310) | 68 |
| Profit/(loss) for the period, ordinary activities | 120 | (1 547) | (87) |
| Gain on the Sale of the HERE Business, net of tax ⁽³⁾ | 1 178 | – | – |
| Profit/(loss) for the period | 1 298 | (1 547) | (87) |
| Costs and expenses include: | | | |
| Depreciation and amortization | (33) | (57) | (241) |
| Impairment charges | – | (1 209) | – |

(1) In 2014, includes impairment of goodwill of EUR 1 209 million.

(2) Excludes the tax impact of the disposal.

(3) Represents net gain on disposal.

Cash flows from Discontinued operations, HERE business

| EURm | 2015 | 2014 | 2013 |
|--|--------------|----------|-----------|
| Net cash from operating activities | 12 | 106 | 62 |
| Net cash from/(used in) investing activities | 2 503 | (104) | (39) |
| Net cash flow for the period | 2 515 | 2 | 23 |

Goodwill impairment

In the third quarter 2015, in connection with the Group's announcement of the Sale of the HERE Business on August 3, 2015, the carrying value of the HERE CGU was reassessed. Estimated net sale proceeds less costs of disposal were in excess of the carrying value of the HERE CGU.

In 2014, goodwill impairment assessment for the HERE CGU was carried out at September 30, 2014. The previous assessment date was October 1, 2013. The assessment date was brought forward to September 30, 2014 due to an adjustment to the HERE strategy and the related new long-range plan, which incorporated the slower-than-expected increase in net sales directly to consumers, and the Group's plans to curtail its investment in certain higher-risk and longer-term growth opportunities. This represented a triggering event resulting in an interim impairment test to assess if events or changes in circumstances indicated that the carrying amount of HERE goodwill may not be recoverable. The goodwill impairment assessment for the HERE CGU was rolled forward to October 1, 2014 to align with the annual assessment date. In 2014, the HERE CGU corresponded to the HERE operating and reportable segment.

The recoverable amount of the HERE CGU was determined using the fair value less costs of disposal method. In the absence of observable market prices, the recoverable amount was estimated based on an income approach, specifically a discounted cash flow model. The cash flow projection used in calculating the recoverable amount was based on financial plans approved by management covering an explicit forecast period of five years and reflected the price that would be received to sell the CGU in an orderly transaction between market participants at the measurement date. The level of fair value hierarchy within which the fair value measurement was categorized was level 3. Refer to Note 19, Fair value of financial instruments for the fair value hierarchy.

The recoverable amount of the HERE CGU at September 30, 2014 was EUR 2 031 million, which resulted in an impairment charge of EUR 1 209 million. The carrying value of goodwill allocated to the CGU after the impairment charge at the impairment testing date was EUR 2 273 million. The impairment charge was the result of an evaluation of the projected financial performance and net cash flows of the HERE CGU and was allocated entirely against the carrying value of HERE goodwill. The evaluation incorporated the slower-than-expected increase in net sales directly to consumers, and the Group's plans to curtail its investment in certain higher-risk and longer-term growth opportunities. It also reflected the current assessment of risks related to the growth opportunities that management planned to continue pursuing, as well as the related terminal value growth assumptions. After consideration of all relevant factors, management reduced the net sales projections for the HERE CGU, particularly in the latter years of the valuation.

The key assumptions applied in the impairment testing analysis for the HERE CGU were terminal growth rate of 1.2% and post-tax discount rate of 11.0%. Terminal growth rates reflected long-term average growth rates for the industry and economies in which the CGU operated. The discount rates reflected current assessments of the time value of money and relevant market risk premiums. Risk premiums reflected risks and uncertainties for which the future cash flow estimates had not been adjusted. Other key variables in future cash flow projections included assumptions on estimated sales growth, gross margin and operating margin. All cash flow projections were consistent with external sources of information, wherever possible.

Sale of the D&S Business

In September 2013, the Group announced the Sale of the D&S Business to Microsoft. Subsequent to the approval of the sale in the Extraordinary General Meeting in November 2013, the Group has presented the Devices & Services business as Discontinued operations including items outside the final transaction scope; specifically, discontinued manufacturing facilities located in Chennai, India and Masan, Republic of Korea. The Devices & Services business consisted of two previously reportable segments, Smart Devices and Mobile Phones as well as Devices & Services Other. Smart Devices focused on more advanced products, including smartphones powered by the Windows Phone system. Mobile Phones focused on the area of mass market entry, feature phones and affordable smartphones. Devices & Services Other included spare parts, the divested Vertu business and major restructuring programs related to the Devices & Services business.

The Sale of the D&S Business was completed on April 25, 2014. The total purchase price was EUR 5 440 million comprising the Sale of the D&S Business and a 10-year non-exclusive license to patents and patent applications with an option to extend the mutual patent agreement in perpetuity. The value allocated to the Sale of the D&S Business was EUR 3 790 million and the fair value of the mutual patent agreement and the future option was EUR 1 650 million. The gain on disposal was EUR 3 175 million. The gain may change in subsequent periods depending on the development of certain liabilities for which the Group has indemnified Microsoft.

Notes to consolidated financial statements continued

Gain on the Sale of the D&S Business

| | EURm |
|---|--------------|
| Fair value of sales proceeds less costs to sell ⁽¹⁾ | 5 167 |
| Net assets disposed of | (2 347) |
| Settlement of Windows Phone royalty ⁽²⁾ | 383 |
| Other | (28) |
| Total | 3 175 |
| Foreign exchange differences reclassified from other comprehensive income | (212) |
| Gain before tax | 2 963 |
| Income tax expense ⁽³⁾ | (160) |
| Total gain | 2 803 |

(1) Comprises purchase price of EUR 3 790 million, net cash adjustment of EUR 1 114 and other adjustments of EUR 263 million.

(2) Recognized when the partnership with Microsoft to license the Windows Phone smartphone platform was terminated in conjunction with the Sale of the D&S Business.

(3) Primarily includes non-resident capital gains taxes in certain jurisdictions, as well as tax impacts of legal entity restructuring carried out in connection with the Sale of the D&S Business.

Assets and liabilities, Devices & Services business

Assets and liabilities disposed of at April 25, 2014 and the assets and liabilities of disposal groups classified as held for sale at December 31, 2013:

| EURm | April 25, 2014 | December 31, 2013 |
|---|----------------|-------------------|
| Goodwill and other intangible assets | 1 427 | 1 426 |
| Property, plant and equipment | 534 | 559 |
| Deferred tax assets and non-current assets | 371 | 381 |
| Inventories | 374 | 347 |
| Trade and other receivables | 541 | 691 |
| Prepaid expenses and other current assets | 1 638 | 1 854 |
| Cash and cash equivalents and current available-for-sale investments, liquid assets | 1 114 | – |
| Total assets | 5 999 | 5 258 |
| Deferred tax liabilities and other liabilities | 203 | 114 |
| Trade and other payables | 1 340 | 1 381 |
| Deferred income and accrued expenses | 1 205 | 2 220 |
| Provisions | 795 | 1 013 |
| Total liabilities | 3 543 | 4 728 |
| Non-controlling interests | 109 | – |
| Net assets disposed of | 2 347 | – |

Results of Discontinued operations, Devices & Services business

| EURm | 2015 | 2014 | 2013 |
|---|-------------|--------------|--------------|
| Net sales | – | 2 458 | 10 735 |
| Cost of sales | (1) | (2 086) | (8 526) |
| Gross (loss)/profit | (1) | 372 | 2 209 |
| Research and development expenses | – | (354) | (1 130) |
| Selling, general and administrative expenses | (15) | (447) | (1 560) |
| Other income and expenses | (5) | (107) | (109) |
| Operating loss | (21) | (536) | (590) |
| Financial income and expenses | (11) | 5 | 10 |
| Loss before tax | (32) | (531) | (580) |
| Income tax benefit/(expense) ⁽¹⁾ | 8 | 33 | (200) |
| Loss for the period, ordinary activities | (24) | (498) | (780) |
| Gain on the Sale of the D&S Business, net of tax ⁽²⁾ | – | 2 803 | – |
| (Loss)/profit for the period | (24) | 2 305 | (780) |
| Costs and expenses include: | | | |
| Depreciation and amortization | – | – | (168) |
| Impairment charges | – | (111) | – |

(1) Excludes the tax impact of the disposal.

(2) Represents net gain on disposal.

Cash flows from Discontinued operations, Devices & Services business

| EURm | 2015 | 2014 | 2013 |
|--|-----------|--------------|----------------|
| Net cash used in operating activities | (6) | (1 054) | (1 062) |
| Net cash from/(used in) investing activities | 50 | 2 480 | (130) |
| Net cash used in financing activities | – | (9) | (21) |
| Net cash flow for the period | 44 | 1 417 | (1 213) |

On April 25, 2014, upon completion of the Sale of the D&S Business, EUR 500 million 1.125% convertible bonds due September 2018, EUR 500 million 2.5% convertible bonds due September 2019 and EUR 500 million 3.625% convertible bonds due September 2020, all issued by the Group to Microsoft, were repaid and netted against the deal proceeds by the amount of principal and accrued interest. Refer to Note 35, Risk management.

4. Acquisitions

In 2015, the Group acquired two businesses (four businesses in 2014). The combined purchase consideration amounts to EUR 96 million (EUR 175 million in 2014). The combined goodwill arising on acquisition amounts to EUR 7 million (EUR 76 million in 2014) and is attributable to assembled workforce and post-acquisition synergies. The Group expects that the majority of goodwill acquired in 2015 will be deductible for tax purposes. The Group expects that the majority of goodwill acquired in 2014 will not be deductible for tax purposes.

Acquisitions during 2015 and 2014:

| Company/business | Description |
|--|--|
| 2015 | |
| Wireless network business of Panasonic | The business transfer included Panasonic's LTE/3G wireless base station system business, related wireless equipment system business, fixed assets and business contracts with Panasonic's customers as well as more than 300 Panasonic employees. The Group acquired the business through an asset transaction on January 1, 2015. |
| Eden Rock Communications, LLC | Eden Rock Communications is pioneer in SON and creator of Eden-NET, an industry leading multivendor centralized in SON solution. The Group acquired 100% ownership interest on July 10, 2015. |
| 2014 | |
| SAC Wireless ⁽¹⁾ | SAC Wireless is a company providing infrastructure and network deployment solutions. The Group acquired 100% ownership interest on August 22, 2014. |
| Medio Systems Inc. ⁽²⁾ | Medio Systems Inc. is a company specializing in real-time predictive analytics. The Group acquired 100% ownership interest on July 2, 2014. |
| Desti ⁽²⁾ | Desti specializes in artificial intelligence and natural language processing technology. The Group acquired the business through an asset transaction on May 28, 2014. |
| Mesaplexx Pty Ltd. | Mesaplexx Pty Ltd. has know-how in developing compact, high performance radio frequency filter technology. The Group acquired 100% ownership interest on March 24, 2014. |

(1) Legal entities acquired are SAC Wireless LLC and HCP Wireless LLC.

(2) HERE business acquisitions.

Total consideration paid, aggregate fair values of intangible assets, other net assets acquired and resulting goodwill at each acquisition date:

| EURm | 2015 | 2014 |
|---|-----------|------------|
| Other intangible assets | 56 | 77 |
| Other net assets | 33 | 22 |
| Total identifiable net assets | 89 | 99 |
| Goodwill | 7 | 76 |
| Total purchase consideration⁽¹⁾ | 96 | 175 |

(1) In 2015, the total purchase consideration does not correspond with the acquisition of businesses, net of acquired cash in the consolidated statement of cash flows due to foreign exchange rate used and the closing mechanism. In 2014, the total purchase consideration of the HERE acquisitions amounted to EUR 84 million of which goodwill was EUR 65 million.

The intangible assets are primarily customer-related, and technology-based intangible assets. Goodwill has been allocated to cash-generating units or groups of cash-generating units expected to benefit from the synergies of the combination. Refer to Note 10, Impairment. Acquisition-related costs of EUR 3 million (EUR 3 million in 2014) have been charged to selling, general and administrative expenses in the consolidated income statement.

Notes to consolidated financial statements continued

5. Revenue recognition

| EURm | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|
| Continuing operations | | | |
| Revenue from sale of products and licensing | 7 060 | 6 462 | 5 489 |
| Nokia Networks | 6 036 | 5 884 | 4 960 |
| Nokia Technologies | 1 024 | 578 | 529 |
| Revenue from services | 5 395 | 4 961 | 5 310 |
| Nokia Networks | 5 395 | 4 961 | 5 310 |
| Contract revenue recognized under percentage of completion accounting | 59 | 353 | 1 012 |
| Nokia Networks | 59 | 353 | 1 012 |
| Eliminations and Group Common Functions | (15) | (14) | (16) |
| Total | 12 499 | 11 762 | 11 795 |

Revenue recognition-related positions for construction contracts in progress at December 31:

| EURm | 2015 | | 2014 | |
|--|--------|-------------|--------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Contract revenues recorded prior to billings | 16 | | 82 | |
| Billings in excess of costs incurred | | 29 | | 40 |
| Advances received | | – | | 1 |
| Retentions | 2 | | 12 | |

Assets are included in accounts receivable and liabilities are included in accrued expenses in the consolidated statement of financial position.

The aggregate amount of costs incurred and profits recognized, net of recognized losses, for construction contracts in progress since inception are EUR 670 million at December 31, 2015 (EUR 4 219 million in 2014), the majority of which relate to projects near completion. The decrease in the aggregate amount of costs incurred and profits recognized is in line with the decrease in revenue recognized under contract accounting.

6. Expenses by nature

| EURm | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|
| Continuing operations | | | |
| Personnel expenses ⁽¹⁾ (Note 7) | 3 617 | 3 340 | 3 426 |
| Cost of material | 2 907 | 2 957 | 2 755 |
| Subcontracting costs | 2 323 | 2 211 | 2 659 |
| Depreciation and amortization (Note 9) | 286 | 240 | 319 |
| Real estate costs | 236 | 232 | 306 |
| Other | 1 455 | 1 276 | 1 146 |
| Total⁽²⁾ | 10 824 | 10 256 | 10 610 |

(1) Excludes EUR 121 million (EUR 41 million in 2014 and EUR 209 million in 2013) restructuring-related personnel expenses recognized in other expenses.

(2) In 2015, the Group recorded amounts in order to correct items previously reported in 2014 and 2013 as cost of sales and reductions to accounts receivable. The impact of this correction was to reduce cost of sales in 2015 by EUR 37 million, of which EUR 7 million related to 2014 and EUR 30 million to 2013. The error related to businesses divested in 2013 where the Group continued to operate certain accounting functions under a transitional arrangement and erroneously recorded pass-through costs of the disposed businesses as costs of the Group.

Rental expenses included in the above line items amount to EUR 164 million (EUR 171 million in 2014 and EUR 241 million in 2013).

7. Personnel expenses

| EURm | 2015 | 2014 | 2013 |
|---------------------------------------|--------------|--------------|--------------|
| Continuing operations | | | |
| Salaries and wages | 3 075 | 2 797 | 3 030 |
| Share-based payment expense (Note 25) | 67 | 53 | 37 |
| Pension expense, net | 223 | 189 | 189 |
| Other social expenses | 373 | 342 | 379 |
| Total | 3 738 | 3 381 | 3 635 |

Personnel expenses include termination benefits. Pension expense, comprising multi-employer, insured and defined contribution plans is EUR 172 million (EUR 146 million in 2014 and EUR 143 million in 2013). Expenses related to defined benefit plans are EUR 51 million (EUR 43 million in 2014 and EUR 46 million in 2013). Refer to Note 8, Pensions.

| Average number of employees | 2015 | 2014 | 2013 |
|---------------------------------------|---------------|---------------|---------------|
| Nokia Networks ⁽¹⁾ | 55 509 | 50 557 | 52 564 |
| Nokia Technologies | 596 | 650 | 657 |
| Group Common Functions ⁽¹⁾ | 585 | 292 | 215 |
| Total | 56 690 | 51 499 | 53 436 |

(1) In 2014, the average number of employees was restated to account for a transfer of employees from Nokia Networks to Group Common Functions.

Notes to consolidated financial statements continued

8. Pensions

The Group operates a number of post-employment plans in various countries including both defined contribution and defined benefit plans. These plans expose the Group to actuarial risks such as investment risk, interest rate risk, and life expectancy risk. The characteristics and associated risks of the defined benefit plans vary depending on legal, fiscal, and economic requirements in each country. These characteristics and risks are further described below and relate to the plans included in the Continuing operations of the Group.

The total net accrued pension cost of EUR 398 million (EUR 500 million in 2014) consists of an accrual of EUR 423 million (EUR 530 million in 2014) and a prepayment of EUR 25 million (EUR 30 million in 2014).

Defined benefit plans

The Group's most significant defined benefit pension plans are in Germany, the United Kingdom, India and Switzerland. Together they account for 91% (91% in 2014) of the Group's total defined benefit obligation and 92% (92% in 2014) of the Group's total plan assets.

The defined benefit obligations, the fair value of plan assets, the effects of the asset ceiling and the net defined benefit balance at December 31:

| EURm | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
|----------------|----------------------------|----------------|---------------------------|--------------|--------------------------|------------|-----------------------------|--------------|
| | Defined benefit obligation | | Fair value of plan assets | | Effects of asset ceiling | | Net defined benefit balance | |
| Germany | (1 279) | (1 381) | 980 | 965 | | | (299) | (416) |
| United Kingdom | (128) | (122) | 136 | 130 | | | 8 | 8 |
| India | (147) | (117) | 144 | 112 | (4) | (1) | (7) | (6) |
| Switzerland | (112) | (102) | 76 | 70 | | | (36) | (32) |
| Other | (174) | (162) | 115 | 110 | (5) | (2) | (64) | (54) |
| Total | (1 840) | (1 884) | 1 451 | 1 387 | (9) | (3) | (398) | (500) |

Germany

The majority of active employees in Germany participate in the cash balance plan BAP (Beitragsorientierter Altersversorgungs Plan), formerly known as Beitragsorientierte Siemens Altersversorgung ("BSAV"). Individual benefits are generally dependent on eligible compensation levels, ranking within the Group and years of service. This plan is a partly funded defined benefit pension plan, the benefits of which are subject to a minimum return guaranteed by the Group. The funding vehicle for the BAP plan is the NSN Pension Trust e.V. The Trust is legally separate from the Group and manages the plan assets in accordance with the respective trust agreements with the Group. The risks specific to the German defined benefit plans are related to changes in mortality of covered members and investment return of the plan assets. Curtailment gains of EUR 1 million (EUR 4 million in 2013) were recognized in service costs following a reduction in the workforce.

United Kingdom

The Group has a United Kingdom defined benefit plan divided into two sections: the money purchase section and the final salary section, both being closed to future contributions and accruals as of April 30, 2012. Individual benefits are generally dependent on eligible compensation levels and years of service for the defined benefit section of the plan and on individual investment choices for the defined contribution section of the plan. The funding vehicle for the pension plan is the NSN Pension Plan that is run on a trust basis.

India

Government-mandated gratuity and provident plans provide benefits based on years of service and projected salary levels at the date of separation for the Gratuity Plan and through an interest rate guarantee on existing investments in a Government-prescribed Provident Fund Trust. Gratuity Fund plan assets are invested and managed through an insurance policy. Provident Fund assets are managed by NSN PF Trustees through a pattern prescribed by the Government in various fixed-income securities.

Switzerland

The Group's Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirements, Survivors' and Disability Pension plans ("BVG"), which stipulates that pension plans are to be managed by an independent, legally autonomous unit. In Switzerland, individual benefits are provided through the collective foundation Profond. The plan's benefits are based on age, years of service, salary and an individual old age account. The funding vehicle for the pension scheme is the Profond Vorsorgeeinrichtung. In 2015, a curtailment gain of EUR 4 million was recognized in service costs following a restructuring plan. In 2013, the collective foundation Profond decided to decrease conversion rates (pension received as a percentage of retirement savings) in five years gradually from 7.2% to 6.8%, which will reduce the expected benefits at retirement for all employees. This event qualified as a plan amendment and the past service gain of EUR 1 million arising from this amendment was recognized immediately in the service cost in 2013.

The movements in the present value of the defined benefit obligation, fair value of plan assets and the impact of minimum funding/asset ceiling for Continuing operations:

| EURm | 2015 | | | | 2014 | | | |
|--|-----------------------------|---------------------------|---|--------------|-----------------------------|---------------------------|---|--------------|
| | Present value of obligation | Fair value of plan assets | Impact of minimum funding/asset ceiling | Total | Present value of obligation | Fair value of plan assets | Impact of minimum funding/asset ceiling | Total |
| At January 1 | (1 884) | 1 387 | (3) | (500) | (1 453) | 1 261 | (7) | (199) |
| Transfer to Discontinued operations | 16 | (5) | | 11 | | | | – |
| Current service cost | (46) | | | (46) | (39) | | | (39) |
| Interest (expense)/income | (49) | 40 | | (9) | (59) | 52 | | (7) |
| Past service cost and gains on curtailments | 5 | | | 5 | | | | – |
| Settlements | | | | – | 9 | (8) | | 1 |
| Other movements ⁽¹⁾ | | (1) | | (1) | | | | – |
| | (90) | 39 | – | (51) | (89) | 44 | – | (45) |
| Remeasurements: | | | | | | | | |
| Return on plan assets, excluding amounts included in interest income | | 2 | | 2 | | 44 | | 44 |
| Loss from change in demographic assumptions | | | | – | (1) | | | (1) |
| Gain/(loss) from change in financial assumptions | 114 | | | 114 | (321) | | | (321) |
| Experience loss | | | | – | (16) | | | (16) |
| Change in asset ceiling, excluding amounts included in interest (expense)/income | | | (6) | (6) | | | 4 | 4 |
| | 114 | 2 | (6) | 110 | (338) | 44 | 4 | (290) |
| Exchange differences | (35) | 28 | | (7) | (31) | 28 | | (3) |
| Contributions: | | | | | | | | |
| Employers | | 26 | | 26 | | 28 | | 28 |
| Plan participants | (16) | 16 | | – | (12) | 12 | | – |
| Payments from plans: | | | | | | | | |
| Benefit payments | 60 | (47) | | 13 | 55 | (35) | | 20 |
| Acquired in business combinations | (4) | 4 | | – | (1) | 1 | | – |
| Other movements ⁽²⁾ | (1) | 1 | | – | (15) | 4 | | (11) |
| | 4 | 28 | – | 32 | (4) | 38 | – | 34 |
| At December 31 | (1 840) | 1 451 | (9) | (398) | (1 884) | 1 387 | (3) | (500) |

(1) In 2015, other movements relate to the administration costs that are deducted from plan assets.

(2) In 2014, other movements relate to the inclusion of the defined benefit liability of end of service benefits that have previously been reported as other long-term employee liabilities in certain countries in the Middle East and Africa region.

Present value of obligations include EUR 428 million (EUR 407 million in 2014) of wholly funded obligations, EUR 1 337 million (EUR 1 408 million in 2014) of partly funded obligations and EUR 75 million (EUR 69 million in 2014) of unfunded obligations.

Amounts included in personnel expenses in the consolidated income statement for the years ended December 31:

| EURm | 2015 | 2014 | 2013 |
|--|-----------|-----------|-----------|
| Current service cost | 46 | 39 | 44 |
| Past service cost and gains and losses on curtailments | (5) | – | (5) |
| Net interest cost | 9 | 7 | 11 |
| Settlements | – | (1) | (4) |
| Other ⁽¹⁾ | 1 | – | – |
| Total | 51 | 45 | 46 |

(1) Other includes administration costs that are deducted from plan assets.

Notes to consolidated financial statements continued

Movements in pension remeasurements recognized in other comprehensive income for the years ended December 31:

| EURm | 2015 | 2014 | 2013 |
|---|------------|--------------|------------|
| Return on plan assets (excluding interest income), gain | 2 | 44 | 15 |
| Changes in demographic assumptions, (loss)/gain | – | (1) | 4 |
| Changes in financial assumptions, gain/(loss) | 114 | (321) | 93 |
| Experience adjustments, (loss)/gain | – | (16) | 6 |
| Current year change in asset ceiling | (6) | 4 | (4) |
| Total | 110 | (290) | 114 |

Actuarial assumptions

The principal actuarial weighted average assumptions used for determining the defined benefit obligation:

| % | 2015 | 2014 |
|---|------|------|
| Discount rate for determining present values | 3.0 | 2.6 |
| Annual rate of increase in future compensation levels | 2.6 | 1.9 |
| Pension growth rate | 1.3 | 1.4 |
| Inflation rate | 1.4 | 1.6 |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each country. The discount rates and mortality tables used for the significant plans:

| | 2015 | 2014 | 2015 |
|--|-----------------|------|------------------------------------|
| | Discount rate % | | Mortality table |
| Germany | 2.5 | 2.0 | Richttafeln 2005 G |
| United Kingdom | 3.6 | 3.5 | S2PA table adjusted ⁽¹⁾ |
| India | 7.8 | 7.9 | IALM (2006-08) |
| Switzerland | 0.7 | 0.9 | BVG2010G |
| Total weighted average for all countries | 3.0 | 2.6 | |

(1) Tables are adjusted down by one year for males and down by three years for females.

The sensitivity of the defined benefit obligation to changes in the principal assumptions:

| | Change in assumption | Increase in assumption ⁽¹⁾ EURm | Decrease in assumption ⁽¹⁾ EURm |
|---|----------------------|---|---|
| Discount rate for determining present values | 1.0% | 235 | (299) |
| Annual rate of increase in future compensation levels | 1.0% | (43) | 36 |
| Pension growth rate | 1.0% | (169) | 165 |
| Inflation rate | 1.0% | (192) | 186 |
| Life expectancy | 1 year | (54) | 54 |

(1) Positive movement indicates a reduction in the defined benefit obligation; a negative movement indicates an increase in the defined benefit obligation.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant and may not be representative of the actual impact of changes. If more than one assumption is changed simultaneously, the combined impact of changes would not necessarily be the same as the sum of the individual changes. If the assumptions change to a different level compared with that presented above, the effect on the defined benefit obligation may not be linear. The methods and types of assumptions used in preparing the sensitivity analyses are the same as in the previous period.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the post-employment benefit obligation recognized in the consolidated statement of financial position; specifically, the present value of the defined benefit obligation is calculated with the projected unit credit method. Increases and decreases in the discount rate, rate of increase in future compensation levels, pension growth rate and inflation, which are used in determining the defined benefit obligation, do not have a symmetrical effect on the defined benefit obligation primarily due to the compound interest effect created when determining the net present value of the future benefit.

Investment strategies

The objective of investment activities is to maximize the excess of plan assets over the projected benefit obligations and to achieve asset performance at least in line with the interest costs in order to minimize required future employer contributions. To achieve these goals, the Group uses an asset liability matching framework which forms the basis for its strategic asset allocation of the respective plans. The Group also takes into consideration other factors in addition to the discount rate, such as inflation and longevity. The results of the asset-liability matching framework are implemented on a plan level.

The Group's pension governance does not allow direct investments and requires all investments to be placed either in funds or by professional asset managers. Derivative instruments are permitted and are used to change risk characteristics as part of the German plan assets. The performance and risk profile of investments is constantly monitored on a stand-alone basis as well as in the broader portfolio context. One major risk is a decline in the plan's funded status as a result of the adverse development of plan assets and/or defined benefit obligations. The application of the Asset-Liability-Model study focuses on minimizing such risks.

Disaggregation of plan assets

| EURm | 2015 | | | | 2014 | | | |
|------------------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|
| | Quoted | Unquoted | Total | % | Quoted | Unquoted | Total | % |
| Equity securities | 348 | | 348 | 24 | 296 | | 296 | 22 |
| Debt securities | 627 | 98 | 725 | 51 | 665 | 104 | 769 | 55 |
| Insurance contracts | | 78 | 78 | 5 | | 74 | 74 | 5 |
| Real estate | | 77 | 77 | 5 | | 68 | 68 | 5 |
| Short-term investments | 124 | 9 | 133 | 9 | 108 | | 108 | 8 |
| Others | | 90 | 90 | 6 | | 72 | 72 | 5 |
| Total | 1 099 | 352 | 1 451 | 100 | 1 069 | 318 | 1 387 | 100 |

All short-term investments including cash, equities and nearly all fixed-income securities have quoted market prices in active markets. Equity securities represent investments in equity funds and direct investments, which have quoted market prices in an active market. Debt securities represent investments in government and corporate bonds, as well as investments in bond funds, which have quoted market prices in an active market. Debt securities may also comprise investments in funds and direct investments. Real estate investments are investments in real estate funds which invest in a diverse range of real estate properties. Insurance contracts are customary pension insurance contracts structured under domestic law in the respective countries. Short-term investments are liquid assets or cash which are being held for a short period of time, with the primary purpose of controlling the tactical asset allocation. Other includes commodities as well as alternative investments, including derivative financial instruments.

The pension plan assets include a self-investment through a loan provided by one of the Group's German pension funds of EUR 69 million (EUR 69 million in 2014). Refer to Note 34, Related party transactions.

Future cash flows

Employer contributions expected to be made in 2016 are EUR 29 million. The weighted average duration of the defined benefit obligations is 15 years at December 31, 2015.

The expected maturity analysis of undiscounted benefits paid from the defined benefit plans of the Continuing operations:

| EURm | 2016 | 2017 | 2018 | 2019 | 2020 | 2021-2025 |
|------------------|------|------|------|------|------|-----------|
| Pension benefits | 64 | 47 | 48 | 72 | 46 | 285 |

9. Depreciation and amortization by function

| EURm | 2015 | 2014 | 2013 |
|---|------------|------------|------------|
| Continuing operations | | | |
| Cost of sales | 55 | 40 | 56 |
| Research and development expenses ⁽¹⁾ | 122 | 107 | 120 |
| Selling, general and administrative expenses ⁽²⁾ | 109 | 93 | 143 |
| Total | 286 | 240 | 319 |

(1) Includes amortization of acquired intangible assets of EUR 35 million (EUR 32 million in 2014 and EUR 20 million in 2013).

(2) Includes amortization of acquired intangible assets of EUR 44 million (EUR 35 million in 2014 and EUR 80 million in 2013).

Notes to consolidated financial statements continued

10. Impairment

Continuing operations

Goodwill

The goodwill impairment assessment for the Nokia Networks Radio Access Networks group of CGUs in Mobile Broadband and Global Services group of CGUs was carried out at November 30, 2015 (November 30 in 2014).

The carrying value of goodwill allocated to the Group's CGUs at the impairment testing date:

| EURm | 2015 | 2014 |
|---|------|------|
| Global Services | 124 | 106 |
| Radio Access Networks in Mobile Broadband | 115 | 96 |

The recoverable amounts of the Group's CGUs were determined using the fair value less costs of disposal method. In the absence of observable market prices, the recoverable amounts were estimated based on an income approach, specifically a discounted cash flow model. The valuation method is in line with the previous year. The cash flow projections used in calculating the recoverable amounts are based on financial plans approved by management covering an explicit forecast period of five years and reflect the price that would be received to sell the CGU in an orderly transaction between market participants at the measurement date. The level of fair value hierarchy within which the fair value measurement is categorized is level 3. Refer to Note 19, Fair value of financial instruments for the fair value hierarchy.

The key assumptions applied in the impairment testing analysis for the CGUs:

| | 2015 | 2014 | 2015 | 2014 |
|------------------------|---|------|-------------------------------|------|
| Key assumption % | Radio Access Networks group of CGUs in Mobile Broadband | | Global Services group of CGUs | |
| Terminal growth rate | 1.0 | 2.6 | 1.0 | 1.6 |
| Post-tax discount rate | 9.2 | 9.4 | 8.7 | 9.1 |

Terminal growth rates reflect long-term average growth rates for the industry and economies in which the CGUs operate. The discount rates reflect current assessments of the time value of money and relevant market risk premiums. Risk premiums reflect risks and uncertainties for which the future cash flow estimates have not been adjusted. Other key variables in future cash flow projections include assumptions on estimated sales growth, gross margin and operating margin. All cash flow projections are consistent with external sources of information, wherever possible.

Management has determined the discount rate and the terminal growth rate to be the key assumptions for the Nokia Networks Radio Access Networks group of CGUs and the Global Services group of CGUs. The recoverable amounts calculated based on the sensitized assumptions do not indicate impairment in 2015 or 2014. Further, no reasonably possible changes in other key assumptions on which the Group has based its determination of the recoverable amounts would result in impairment in 2015 or 2014.

In 2014, the Group recorded an impairment charge of EUR 1 209 million relating to the discontinued HERE CGU. Refer to Note 3, Disposals treated as Discontinued operations.

Other non-current assets

Impairment charges by asset category:

| EURm | 2015 | 2014 | 2013 |
|--------------------------------|-----------|-----------|-----------|
| Property, plant and equipment | – | – | 12 |
| Available-for-sale investments | 11 | 15 | 8 |
| Total | 11 | 15 | 20 |

Property, plant and equipment

In 2013, Nokia Networks recognized an impairment charge of EUR 6 million following the remeasurement of the Optical Networks disposal group at fair value less cost of disposal. In 2013, the Group recognized impairment losses of EUR 6 million relating to certain properties attributable to Group Common Functions.

Available-for-sale investments

The Group recognized an impairment charge of EUR 11 million (EUR 15 million in 2014 and EUR 8 million in 2013) as certain equity securities held as available-for-sale suffered a significant or prolonged decline in fair value. These charges are recorded in Other expenses and Financial income and expenses.

11. Other income and expenses

| EURm | 2015 | 2014 | 2013 |
|---|--------------|--------------|--------------|
| Continuing operations | | | |
| Other income | | | |
| Realized gains from unlisted venture funds | 144 | 18 | 97 |
| VAT and other indirect tax refunds and social security credits | 17 | 7 | 7 |
| Profit on sale of other property, plant and equipment | 8 | 7 | 26 |
| Divestment of businesses | 8 | 8 | – |
| Indemnification and settlement related to acquisition of businesses | 8 | – | – |
| Interest income from customer receivables and overdue payments | 6 | 23 | 27 |
| Compensation for litigation costs | 6 | – | – |
| Subsidies and government grants | 4 | 15 | 6 |
| Rental income | 2 | 22 | 25 |
| Foreign exchange gain on hedging forecasted sales and purchases | 2 | – | 36 |
| Gain on sale of real estate | – | 8 | 6 |
| Other miscellaneous income | 31 | 27 | 42 |
| Total | 236 | 135 | 272 |
| Other expenses | | | |
| Restructuring and associated charges | (120) | (61) | (373) |
| Realized losses and expenses from unlisted venture funds | (47) | – | – |
| Foreign exchange loss on hedging forecasted sales and purchases | (22) | (15) | (24) |
| Sale of receivables transactions | (21) | (39) | (53) |
| Impairment charges | (11) | (13) | (13) |
| Loss on disposals and retirements of property, plant and equipment | (5) | (12) | (20) |
| Country and contract exit charges | (3) | – | (52) |
| VAT and other indirect tax write-offs and provisions | (3) | (15) | (37) |
| Contractual remediation costs | 5 | (31) | – |
| Valuation allowances for doubtful accounts | 24 | 5 | (30) |
| Environmental risk provision | – | (5) | – |
| Transaction costs related to the Sale of the D&S Business | – | 4 | (18) |
| Divestment of businesses | – | – | (157) |
| Other miscellaneous expenses | (20) | (47) | (8) |
| Total | (223) | (229) | (785) |

Notes to consolidated financial statements continued

12. Financial income and expenses

| EURm | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|
| Continuing operations | | | |
| Interest income on investments and loans receivable | 31 | 50 | 107 |
| Net interest expense on derivatives not under hedge accounting | (4) | (4) | (4) |
| Interest expense on financial liabilities carried at amortized cost ⁽¹⁾ | (135) | (387) | (319) |
| Net realized gains on disposal of fixed income available-for-sale financial investments | 2 | 1 | 2 |
| Net fair value (losses)/gains on investments at fair value through profit and loss | (2) | 20 | (29) |
| Net (losses)/gains on other derivatives designated at fair value through profit and loss | (5) | (20) | 32 |
| Net fair value gains/(losses) on hedged items under fair value hedge accounting | 7 | (18) | 69 |
| Net fair value (losses)/gains on hedging instruments under fair value hedge accounting | (12) | 17 | (62) |
| Net foreign exchange gains/(losses): | | | |
| From foreign exchange derivatives designated at fair value through profit and loss | 239 | 162 | (28) |
| From the revaluation of statement of financial position | (315) | (223) | (73) |
| Other financial income ⁽²⁾ | 31 | 15 | 48 |
| Other financial expenses | (14) | (14) | (20) |
| Total | (177) | (401) | (277) |

(1) In 2014, interest expense includes a one-time non-cash charge of EUR 57 million relating to the repayment of the EUR 1.5 billion convertible bonds issued to Microsoft when the Sale of the D&S Business was completed and one-time expenses of EUR 123 million relating to the redemption of materially all Nokia Networks borrowings.

(2) Includes distributions of EUR 25 million (EUR 14 million in 2014 and EUR 44 million in 2013) from private venture funds held as non-current available-for-sale investments.

13. Income tax

| EURm | 2015 | 2014 | 2013 |
|------------------------------|--------------|--------------|--------------|
| Continuing operations | | | |
| Current tax | (258) | (300) | (321) |
| Deferred tax | (88) | 2 019 | 50 |
| Total | (346) | 1 719 | (271) |
| Finnish entities | (179) | 1 841 | (87) |
| Entities in other countries | (167) | (122) | (184) |
| Total | (346) | 1 719 | (271) |

Reconciliation of the difference between income tax computed at the statutory rate in Finland of 20% (20% in 2014 and 24.5% in 2013) and income tax recognized in the consolidated income statement is as follows:

| EURm | 2015 | 2014 | 2013 |
|---|--------------|--------------|--------------|
| Income tax expense at statutory rate | (308) | (200) | (98) |
| Permanent differences | 16 | (41) | 34 |
| Non-creditable withholding taxes | (17) | (31) | (35) |
| Income taxes for prior years | 6 | (14) | 1 |
| Income taxes on foreign subsidiaries' profits in excess of income taxes at statutory rate | (50) | (47) | (7) |
| Effect of deferred tax assets not recognized ⁽¹⁾ | (35) | (26) | (137) |
| Benefit arising from previously unrecognized deferred tax assets ⁽²⁾ | 38 | 2 081 | – |
| Net decrease/(increase) in uncertain tax positions | 4 | – | (13) |
| Change in income tax rates | – | (1) | (7) |
| Income taxes on undistributed earnings | (7) | – | (6) |
| Other | 7 | (2) | (3) |
| Total income tax (expense)/benefit | (346) | 1 719 | (271) |
| Tax charged/(credited) to equity | 5 | (7) | 6 |

(1) In 2013, relates primarily to Nokia Networks' Finnish and German unrecognized deferred tax assets.

(2) In 2014, relates primarily to the Group's Finnish tax losses, unused tax credits and temporary differences for which deferred tax was re-recognized.

Current income tax liabilities and assets include net EUR 394 million (EUR 387 million in 2014) related to uncertain tax positions with inherently uncertain timing of cash outflows.

Prior period income tax returns for certain Group companies are under examination by local tax authorities. The Group's business and investments, especially in emerging market countries, may be subject to uncertainties, including unfavorable or unpredictable tax treatment. Management judgment and a degree of estimation are required in determining the tax expense or benefit. Even though management does not expect that any significant additional taxes in excess of those already provided for will arise as a result of these examinations, the outcome or actual cost of settlement may vary materially from estimates.

In 2013, the tax authorities in India commenced an investigation into withholding tax in respect of payments by Nokia India Private Limited to Nokia Corporation for the supply of operating software. Subsequently, the authorities extended the investigation to other related tax consequences and issued orders and made certain assessments. The litigation and assessment proceedings are pending. The Group has denied all such allegations and continues defending itself in various Indian litigation proceedings and under both Indian and international law, while extending its full cooperation to the authorities.

14. Deferred taxes

| EURm | 2015 | | | 2014 | | |
|--|---------------------|--------------------------|--------------|---------------------|--------------------------|--------------|
| | Deferred tax assets | Deferred tax liabilities | Net balance | Deferred tax assets | Deferred tax liabilities | Net balance |
| Tax losses carried forward and unused tax credits | 916 | – | | 967 | – | |
| Undistributed earnings | – | (15) | | – | (18) | |
| Intangible and tangible assets | 1 321 | (154) | | 1 254 | (188) | |
| Prepaid pension costs | 1 | (9) | | 2 | (18) | |
| Other non-current assets | 4 | (12) | | 12 | (9) | |
| Inventories | 85 | (6) | | 142 | (10) | |
| Other current assets | 43 | (41) | | 75 | (12) | |
| Defined benefit pension liabilities | 154 | (3) | | 183 | (9) | |
| Other non-current liabilities | 1 | (2) | | – | (11) | |
| Provisions | 106 | (3) | | 159 | (34) | |
| Other current liabilities | 191 | (33) | | 220 | (25) | |
| Other temporary differences | 29 | – | | 11 | (3) | |
| Total before netting | 2 851 | (278) | 2 573 | 3 025 | (337) | 2 688 |
| Reclassification due to netting of deferred tax assets and liabilities | (217) | 217 | – | (305) | 305 | – |
| Total after netting | 2 634 | (61) | 2 573 | 2 720 | (32) | 2 688 |

Notes to consolidated financial statements continued

Amount of temporary differences, tax losses carried forward and tax credits for which no deferred tax asset was recognized due to uncertainty of utilization:

| EURm | 2015 | 2014 |
|----------------------------|--------------|--------------|
| Temporary differences | 334 | 1 115 |
| Tax losses carried forward | 1 057 | 1 422 |
| Tax credits | 21 | 13 |
| Total⁽¹⁾ | 1 412 | 2 550 |

(1) The decrease from 2014 in temporary differences and tax losses carried forward for which no deferred tax asset is recognized is due to the Sale of the HERE Business. 2014 comparative corrected to include certain temporary differences.

The recognition of the remaining deferred tax assets is supported by offsetting deferred tax liabilities, earnings history and profit projections in the relevant jurisdictions. Majority of recognized deferred tax assets relate to the Group's Finnish tax losses, unused tax credits and temporary differences for which deferred tax was re-recognized in 2014, as the Group re-established a pattern of sufficient tax profitability in Finland to utilize the cumulative losses, foreign tax credits and temporary differences.

Expiry of tax losses carried forward and unused tax credits:

| EURm | 2015 | | | 2014 | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Recognized | Unrecognized | Total | Recognized | Unrecognized | Total |
| Tax losses carried forward | | | | | | |
| Within 10 years | 1 742 | 740 | 2 482 | 1 437 | 778 | 2 215 |
| Thereafter | 174 | – | 174 | 122 | 261 | 383 |
| No expiry | 280 | 317 | 597 | 232 | 383 | 615 |
| Total | 2 196 | 1 057 | 3 253 | 1 791 | 1 422 | 3 213 |
| Tax credits | | | | | | |
| Within 10 years | 434 | 14 | 448 | 536 | 13 | 549 |
| Thereafter | 42 | – | 42 | 33 | – | 33 |
| No expiry | – | 7 | 7 | – | – | – |
| Total | 476 | 21 | 497 | 569 | 13 | 582 |

The Group has undistributed earnings of EUR 769 million (EUR 732 million in 2014) for which no deferred tax liability has been recognized as these earnings will not be distributed in the foreseeable future.

15. Earnings per share

| | 2015 EURm | 2014 EURm | 2013 EURm |
|--|--------------|--------------|--------------|
| Basic | | | |
| Profit/(loss) attributable to equity holders of the parent | | | |
| Continuing operations | 1 192 | 2 710 | 273 |
| Discontinued operations | 1 274 | 752 | (888) |
| Total | 2 466 | 3 462 | (615) |
| Diluted | | | |
| Elimination of interest expense, net of tax, on convertible bonds, where dilutive | 36 | 60 | – |
| Profit/(loss) attributable to equity holders of the parent adjusted for the effect of dilution | | | |
| Continuing operations | 1 228 | 2 770 | 273 |
| Discontinued operations | 1 274 | 752 | (888) |
| Total | 2 502 | 3 522 | (615) |
| | 000s shares | 000s shares | 000s shares |
| Basic | | | |
| Weighted average number of shares in issue | 3 670 934 | 3 698 723 | 3 712 079 |
| Effect of dilutive securities | | | |
| Restricted shares and other | 4 253 | 14 419 | 19 307 |
| Performance shares | 3 179 | 1 327 | – |
| Stock options | 1 971 | 3 351 | 1 978 |
| | 9 403 | 19 097 | 21 285 |
| Assumed conversion of convertible bonds | 268 975 | 413 782 | – |
| | 278 378 | 432 879 | 21 285 |
| Diluted | | | |
| Adjusted weighted average number of shares and assumed conversions | | | |
| Continuing operations | 3 949 312 | 4 131 602 | 3 733 364 |
| Discontinued operations | 3 949 312 | 4 131 602 | 3 712 079 |
| Total | 3 949 312 | 4 131 602 | 3 712 079 |
| Earnings per share to equity holders of the parent | EUR | EUR | EUR |
| Basic earnings per share | | | |
| Continuing operations | 0.32 | 0.73 | 0.07 |
| Discontinued operations | 0.35 | 0.20 | (0.24) |
| Profit/(loss) for the year | 0.67 | 0.94 | (0.17) |
| Diluted earnings per share | | | |
| Continuing operations | 0.31 | 0.67 | 0.07 |
| Discontinued operations | 0.32 | 0.18 | (0.24) |
| Profit/(loss) for the year | 0.63 | 0.85 | (0.17) |

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the parent by the weighted average number of shares outstanding during the year, excluding shares purchased by the Group and held as treasury shares. Diluted earnings per share is calculated by adjusting the profit/loss attributable to equity holders of the parent to eliminate the interest expense of dilutive convertible bonds and by adjusting the weighted average number of shares outstanding with the dilutive effect of stock options, restricted shares and performance shares outstanding during the period as well as the assumed conversion of convertible bonds.

There are no restricted shares outstanding in 2015 and 2014 (19 million in 2013) that could potentially have a dilutive impact in the future but are excluded from the calculation as they are determined to be anti-dilutive.

4 million performance shares (fewer than 1 million in 2014 and 4 million in 2013) have been excluded from the calculation of diluted shares as contingency conditions have not been met.

Stock options equivalent to fewer than 1 million shares (2 million in 2014 and 16 million in 2013) have been excluded from the calculation of diluted shares as they are determined to be anti-dilutive.

Notes to consolidated financial statements continued

In 2014, convertible bonds issued to Microsoft in September 2013 were fully redeemed as a result of the closing of the Sale of the D&S Business. 116 million potential shares were included in the calculation of diluted shares to reflect the part-year effect of these convertible bonds. In 2013, the potential shares were excluded from the calculation of diluted shares as they were determined to be antidilutive. If fully converted, these potential shares would have resulted in the issuance of 368 million shares.

In 2015, the Group exercised its option to redeem the EUR 750 million convertible bonds at their original amount plus accrued interest. Virtually all bondholders elected to convert their convertible bonds into Nokia shares before redemption. 269 million potential shares have been included in the calculation of diluted shares to reflect the part-year effect of these convertible bonds. In 2014, the conversion price was increased and 298 million potential shares were included in the calculation of diluted shares as they were determined to be dilutive. Voluntary conversion of the entire bond would have resulted in the issue of 307 million shares in 2014. In 2013, 287 million potential shares were excluded from the calculation of diluted shares because they were determined to be antidilutive.

16. Intangible assets

| EURm | 2015 | 2014 |
|--|----------------|----------------|
| Goodwill | | |
| Acquisition cost at January 1 | 5 770 | 5 293 |
| Translation differences | 350 | 401 |
| Acquisitions through business combinations | 7 | 76 |
| Disposals ⁽¹⁾ | (4 982) | – |
| Acquisition cost at December 31 | 1 145 | 5 770 |
| Accumulated impairment charges at January 1 | (3 207) | (1 998) |
| Disposals ⁽¹⁾ | 2 299 | – |
| Impairment charges | – | (1 209) |
| Accumulated impairment charges at December 31 | (908) | (3 207) |
| Net book value at January 1 | 2 563 | 3 295 |
| Net book value at December 31 | 237 | 2 563 |
| Other intangible assets | | |
| Acquisition cost at January 1 | 5 646 | 5 214 |
| Translation differences | 382 | 334 |
| Additions | 26 | 32 |
| Acquisitions through business combinations | 56 | 77 |
| Disposals and retirements ⁽¹⁾ | (2 973) | (11) |
| Acquisition cost at December 31 | 3 137 | 5 646 |
| Accumulated amortization at January 1 | (5 296) | (4 918) |
| Translation differences | (350) | (290) |
| Disposals and retirements ⁽¹⁾ | 2 934 | 10 |
| Amortization | (102) | (98) |
| Accumulated amortization at December 31 | (2 814) | (5 296) |
| Net book value at January 1 | 350 | 296 |
| Net book value at December 31 | 323 | 350 |

(1) In 2015, disposals and retirements include goodwill with acquisition cost of EUR 4 982 million and accumulated impairment of EUR 2 299 million and other intangible assets with acquisition cost of EUR 2 892 million and accumulated amortization of EUR 2 853 million disposed as part of the Sale of the HERE Business.

Other intangible assets include customer relationships with a net book value of EUR 132 million (EUR 177 million in 2014), developed technology with a net book value of EUR 126 million (EUR 99 million in 2014), and licenses to use tradename and trademark with a net book value of EUR 9 million (EUR 10 million in 2014). The remaining amortization periods range from approximately two to six years for customer relationships, two to seven years for developed technology and six years for licenses to use tradename and trademark.

17. Property, plant and equipment

| EURm | Buildings and constructions | Machinery and equipment | Other tangible assets | Assets under construction | Total |
|--|-----------------------------|-------------------------|-----------------------|---------------------------|----------------|
| Acquisition cost at January 1, 2014 | 336 | 1 748 | 40 | 24 | 2 148 |
| Transfer from assets held for sale | 76 | 3 | 4 | – | 83 |
| Translation differences | 25 | 103 | – | 1 | 129 |
| Additions | 28 | 205 | – | 15 | 248 |
| Acquisitions through business combinations | – | 2 | – | – | 2 |
| Reclassifications | 12 | 6 | 1 | (21) | (2) |
| Disposals and retirements | (39) | (213) | (4) | – | (256) |
| Acquisition cost at December 31, 2014 | 438 | 1 854 | 41 | 19 | 2 352 |
| Accumulated depreciation at January 1, 2014 | (157) | (1 404) | (21) | – | (1 582) |
| Translation differences | (13) | (75) | 1 | – | (87) |
| Disposals and retirements | 30 | 202 | – | – | 232 |
| Depreciation | (40) | (157) | (2) | – | (199) |
| Accumulated depreciation at December 31, 2014 | (180) | (1 434) | (22) | – | (1 636) |
| Net book value at January 1, 2014 | 179 | 344 | 19 | 24 | 566 |
| Net book value at December 31, 2014 | 258 | 420 | 19 | 19 | 716 |
| Acquisition cost at January 1, 2015 | 438 | 1 854 | 41 | 19 | 2 352 |
| Translation differences | 32 | 134 | 1 | – | 167 |
| Additions | 62 | 186 | 15 | 16 | 279 |
| Acquisitions through business combinations | 2 | 5 | – | – | 7 |
| Reclassifications | 12 | 4 | – | (16) | – |
| Disposals and retirements ⁽¹⁾ | (119) | (437) | (16) | (4) | (576) |
| Acquisition cost at December 31, 2015 | 427 | 1 746 | 41 | 15 | 2 229 |
| Accumulated depreciation at January 1, 2015 | (180) | (1 434) | (22) | – | (1 636) |
| Translation differences | (18) | (114) | (1) | – | (133) |
| Disposals and retirements ⁽¹⁾ | 71 | 365 | 16 | – | 452 |
| Depreciation | (47) | (168) | (2) | – | (217) |
| Accumulated depreciation at December 31, 2015 | (174) | (1 351) | (9) | – | (1 534) |
| Net book value at January 1, 2015 | 258 | 420 | 19 | 19 | 716 |
| Net book value at December 31, 2015 | 253 | 395 | 32 | 15 | 695 |

(1) In 2015, disposals and retirements include buildings and constructions with acquisition cost of EUR 81 million and accumulated depreciation of EUR 35 million, machinery and equipment with acquisition cost of EUR 305 million and accumulated depreciation of EUR 239 million and assets under construction with acquisition cost of EUR 3 million disposed as part of the Sale of the HERE Business.

In 2014, the tax authorities in India placed a lien which prohibited the Group from transferring the mobile devices-related facility in Chennai to Microsoft as part of the Sale of the D&S Business.

Notes to consolidated financial statements continued

18. Investments in associated companies and joint ventures

| EURm | 2015 | 2014 |
|---|-----------|-----------|
| Net carrying amount at January 1 | 51 | 65 |
| Translation differences | 6 | 5 |
| Deductions | – | (7) |
| Share of results ⁽¹⁾ | 29 | (12) |
| Dividends | (2) | – |
| Net carrying amount at December 31 | 84 | 51 |

(1) In 2015, the Group recorded a correction which increased the results of associated companies and joint ventures by EUR 25 million. The correction related to the results of a joint venture for the fourth quarter of 2014. The Group had historically accounted for the results of the joint venture in arrears as the results have not been material. The Group evaluated these items in relation to the current period as well as the periods in which they originated and determined that the corrections are immaterial to the consolidated financial statements in all periods.

Shareholdings in associated companies and joint ventures comprise investments in unlisted companies.

19. Fair value of financial instruments

| EURm | Carrying amounts | | | | | Fair value ⁽¹⁾ | |
|---|---|---|--|--|--|---------------------------|---------------|
| | Current available-for-sale financial assets | Non-current available-for-sale financial assets | Financial instruments at fair value through profit or loss | Loans and receivables measured at amortized cost | Financial liabilities measured at amortized cost | Total | Total |
| 2015 | | | | | | | |
| Available-for-sale investments, publicly quoted equity shares | | 16 | | | | 16 | 16 |
| Available-for-sale investments, carried at fair value | | 703 | | | | 703 | 703 |
| Available-for-sale investments, carried at cost less impairment | | 285 | | | | 285 | 285 |
| Long-term loans receivable | | | | 49 | | 49 | 39 |
| Accounts receivable | | | | 3 913 | | 3 913 | 3 913 |
| Current portion of long-term loans receivable | | | | 21 | | 21 | 21 |
| Other current financial assets | | | 96 | 11 | | 107 | 107 |
| Investments at fair value through profit and loss, liquid assets | | | 687 | | | 687 | 687 |
| Available-for-sale investments, liquid assets carried at fair value | 2 167 | | | | | 2 167 | 2 167 |
| Cash and cash equivalents carried at fair value | 6 995 | | | | | 6 995 | 6 995 |
| Total financial assets | 9 162 | 1 004 | 783 | 3 994 | – | 14 943 | 14 933 |
| Long-term interest-bearing liabilities | | | | | 2 023 | 2 023 | 2 100 |
| Current portion of long-term interest-bearing liabilities | | | | | 1 | 1 | 1 |
| Short-term borrowings | | | | | 50 | 50 | 50 |
| Other financial liabilities | | | 114 | | 8 | 122 | 122 |
| Accounts payable | | | | | 1 910 | 1 910 | 1 910 |
| Total financial liabilities | – | – | 114 | – | 3 992 | 4 106 | 4 183 |

(1) For items not carried at fair value, the following fair value measurement methods are used. The fair value is estimated to equal the carrying amount for available-for-sale investments carried at cost less impairment for which it is not possible to estimate fair value reliably as there is no active market for these private fund investments. These assets are tested for impairment annually using a discounted cash flow analysis. The fair value of loans receivable and loans payable is estimated based on the current market values of similar instruments (level 2). The fair values of long-term interest bearing liabilities are based on discounted cash flow analysis (level 2) or quoted prices (level 1). The fair value is estimated to equal the carrying amount for short-term financial assets and financial liabilities due to limited credit risk and short time to maturity. Refer to Note 1, Accounting principles.

| EURm | Carrying amounts | | | | | Fair value ⁽¹⁾ | |
|---|---|---|--|--|--|---------------------------|---------------|
| | Current available-for-sale financial assets | Non-current available-for-sale financial assets | Financial instruments at fair value through profit or loss | Loans and receivables measured at amortized cost | Financial liabilities measured at amortized cost | Total | Total |
| 2014 | | | | | | | |
| Available-for-sale investments, publicly quoted equity shares | | 14 | | | | 14 | 14 |
| Available-for-sale investments, carried at fair value | | 570 | | | | 570 | 570 |
| Available-for-sale investments, carried at cost less impairment | | 244 | | | | 244 | 244 |
| Long-term loans receivable | | | | 34 | | 34 | 28 |
| Accounts receivable | | | | 3 430 | | 3 430 | 3 430 |
| Current portion of long-term loans receivable | | | | 1 | | 1 | 1 |
| Other current financial assets | | | 241 | 25 | | 266 | 266 |
| Investments at fair value through profit and loss, liquid assets | | | 418 | | | 418 | 418 |
| Available-for-sale investments, liquid assets carried at fair value | 2 127 | | | | | 2 127 | 2 127 |
| Cash and cash equivalents carried at fair value | 5 170 | | | | | 5 170 | 5 170 |
| Total financial assets | 7 297 | 828 | 659 | 3 490 | – | 12 274 | 12 268 |
| Long-term interest-bearing liabilities | | | | | 2 576 | 2 576 | 4 058 |
| Current portion of long-term interest-bearing liabilities | | | | | 1 | 1 | 1 |
| Short-term borrowings | | | | | 115 | 115 | 115 |
| Other financial liabilities | | | 174 | | | 174 | 174 |
| Accounts payable | | | | | 2 313 | 2 313 | 2 313 |
| Total financial liabilities | – | – | 174 | – | 5 005 | 5 179 | 6 661 |

(1) For items not carried at fair value, the following fair value measurement methods are used. The fair value is estimated to equal the carrying amount for available-for-sale investments carried at cost less impairment for which it is not possible to estimate fair value reliably as there is no active market for these private fund investments. These assets are tested for impairment annually using a discounted cash flow analysis. The fair value of loans receivable and loans payable is estimated based on the current market values of similar instruments (level 2). The fair values of long-term interest bearing liabilities are based on discounted cash flow analysis (level 2) or quoted prices (level 1). The fair value is estimated to equal the carrying amount for short-term financial assets and financial liabilities due to limited credit risk and short time to maturity. Refer to Note 1, Accounting principles.

Notes to consolidated financial statements continued

Fair value hierarchy

Financial assets and liabilities recorded at fair value are categorized based on the amount of unobservable inputs used to measure their fair value. Three hierarchical levels are based on an increasing amount of judgment associated with the inputs used to derive fair value for these assets and liabilities, level 1 being market values and level 3 requiring most management judgment. At the end of each reporting period, the Group categorizes its financial assets and liabilities to appropriate level of fair value hierarchy.

Items measured at fair value on a recurring basis at December 31:

| EURm | Instruments with quoted prices in active markets (level 1) | Valuation technique using observable data (level 2) | Valuation technique using non-observable data (level 3) | Total |
|---|--|---|---|---------------|
| 2015 | | | | |
| Available-for-sale investments, publicly quoted equity shares | 16 | – | – | 16 |
| Available-for-sale investments, carried at fair value | 1 | 14 | 688 | 703 |
| Other current financial assets, derivatives ⁽¹⁾ | – | 96 | – | 96 |
| Investments at fair value through profit and loss, liquid assets | 687 | – | – | 687 |
| Available-for-sale investments, liquid assets carried at fair value | 2 156 | 11 | – | 2 167 |
| Cash and cash equivalents carried at fair value | 6 995 | – | – | 6 995 |
| Total assets | 9 855 | 121 | 688 | 10 664 |
| Other financial liabilities, derivatives ⁽¹⁾ | – | 114 | – | 114 |
| Total liabilities | – | 114 | – | 114 |
| 2014 | | | | |
| Available-for-sale investments, publicly quoted equity shares | 14 | – | – | 14 |
| Available-for-sale investments, carried at fair value | 1 | 13 | 556 | 570 |
| Other current financial assets, derivatives ⁽¹⁾ | – | 241 | – | 241 |
| Investments at fair value through profit and loss, liquid assets | 418 | – | – | 418 |
| Available-for-sale investments, liquid assets carried at fair value | 2 116 | 11 | – | 2 127 |
| Cash and cash equivalents carried at fair value | 5 170 | – | – | 5 170 |
| Total assets | 7 719 | 265 | 556 | 8 540 |
| Other financial liabilities, derivatives ⁽¹⁾ | – | 174 | – | 174 |
| Total liabilities | – | 174 | – | 174 |

(1) Refer to Note 20, Derivative financial instruments for the allocation between hedge accounted and non-hedge accounted derivatives.

The level 1 category includes financial assets and liabilities that are measured in whole or in significant part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. This category includes listed bonds and other securities, listed shares and exchange-traded derivatives.

The level 2 category includes financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. These include assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes and assets that are valued using the Group's own valuation models whereby the material assumptions are market observable. The majority of the Group's over-the-counter derivatives and certain other instruments not traded in active markets are included within this category.

The level 3 category includes a large number of investments in unlisted equities and unlisted venture funds, including investments managed by Nokia Growth Partners specializing in growth-stage investing and by BlueRun Ventures focusing on early stage opportunities. The level 3 fair value is determined using one or more valuation techniques where the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of calculating the net present value of expected future cash flows. For unlisted funds, the selection of appropriate valuation techniques by the fund managing partner may be affected by the availability and reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances multiple valuation techniques may be appropriate.

The inputs generally considered in determining the fair value include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations or other transactions undertaken by the issuer, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. The level 3 investments are valued on a quarterly basis taking into consideration any changes, projections and assumptions, as well as any changes in economic and other relevant conditions. The fair value may be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the managing partner in the absence of market information. Assumptions used by the managing partner due to the lack of observable inputs may impact the resulting fair value of individual investments, but no individual input has a significant impact on the total fair value of the level 3 investments.

Reconciliation of the opening and closing balances on level 3 financial assets:

| EURm | Other available-for-sale investments carried at fair value |
|--|--|
| At January 1, 2014 | 429 |
| Net gain in income statement | 5 |
| Net gain in other comprehensive income | 72 |
| Purchases | 78 |
| Sales | (58) |
| Other transfers | 30 |
| At December 31, 2014 | 556 |
| Net gain in income statement | 96 |
| Net gain in other comprehensive income | 83 |
| Purchases | 70 |
| Sales | (146) |
| Other transfers | 29 |
| At December 31, 2015 | 688 |

The gains and losses from financial assets categorized in level 3 are included in other operating income and expenses as the investment and disposal objectives for these investments are business-driven. In other cases, the gains and losses are included in financial income and expenses. A net gain of EUR 4 million (net loss of EUR 2 million in 2014) related to level 3 financial instruments held at December 31, 2015 has been recognized in the consolidated income statement.

Notes to consolidated financial statements continued

20. Derivative financial instruments

| EURm | Assets | | Liabilities | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Fair value ⁽¹⁾ | Notional ⁽²⁾ | Fair value ⁽¹⁾ | Notional ⁽²⁾ |
| 2015 | | | | |
| Hedges on net investment in foreign subsidiaries: | | | | |
| Forward foreign exchange contracts | 2 | 223 | (5) | 464 |
| Currency options bought | – | 106 | – | – |
| Currency options sold | – | – | – | 114 |
| Cash flow hedges: | | | | |
| Forward foreign exchange contracts | 4 | 844 | (19) | 880 |
| Fair value hedges: | | | | |
| Interest rate swaps | 52 | 301 | – | – |
| Cash flow and fair value hedges: ⁽³⁾ | | | | |
| Cross-currency interest rate swaps | 17 | 355 | (5) | 646 |
| Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss: | | | | |
| Forward foreign exchange contracts | 17 | 2 117 | (31) | 2 296 |
| Currency options bought | 4 | 350 | – | – |
| Currency options sold | – | – | – | 48 |
| Interest rate swaps | – | – | (50) | 646 |
| Other derivatives | – | – | (4) | 37 |
| Total | 96 | 4 296 | (114) | 5 131 |
| 2014 | | | | |
| Hedges on net investment in foreign subsidiaries: | | | | |
| Forward foreign exchange contracts | 3 | 217 | (56) | 1 813 |
| Currency options bought | – | 78 | – | – |
| Currency options sold | – | – | (1) | 83 |
| Cash flow hedges: | | | | |
| Forward foreign exchange contracts | – | – | (14) | 742 |
| Fair value hedges: | | | | |
| Interest rate swaps | 72 | 382 | – | – |
| Cash flow and fair value hedges: ⁽³⁾ | | | | |
| Cross-currency interest rate swaps | 63 | 378 | – | – |
| Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss: | | | | |
| Forward foreign exchange contracts | 101 | 3 779 | (68) | 2 364 |
| Currency options bought | 2 | 397 | – | – |
| Currency options sold | – | – | – | 62 |
| Interest rate swaps | – | – | (35) | 372 |
| Total | 241 | 5 231 | (174) | 5 436 |

(1) Included in other financial assets and other financial liabilities in the consolidated statement of financial position.

(2) Includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk as the exposure of certain contracts may be offset by that of other contracts.

(3) Cross-currency interest rate swaps have been designated partly as fair value hedges and partly as cash flow hedges.

21. Inventories

| EURm | 2015 | 2014 |
|-----------------------------------|--------------|--------------|
| Raw materials, supplies and other | 102 | 228 |
| Work in progress | 404 | 441 |
| Finished goods | 508 | 606 |
| Total | 1 014 | 1 275 |

The cost of inventories recognized as an expense during the year, included in cost of sales, is EUR 3 132 million (EUR 3 156 million in 2014 and EUR 2 875 million in 2013).

Movements in allowances for excess and obsolete inventory for the years ended December 31:

| EURm | 2015 | 2014 | 2013 |
|---|------------|------------|------------|
| At January 1 | 204 | 178 | 471 |
| Transfer to assets of disposal groups classified as held for sale | – | – | (192) |
| Charged to income statement | 71 | 107 | 39 |
| Deductions ⁽¹⁾ | (80) | (81) | (140) |
| At December 31 | 195 | 204 | 178 |

(1) Deductions include utilization and releases of allowances.

22. Allowances for doubtful accounts

Movements in allowances for doubtful accounts for the years ended December 31:

| EURm | 2015 | 2014 | 2013 |
|---|-----------|------------|------------|
| At January 1 | 103 | 124 | 248 |
| Transfer to Discontinued operations | (7) | – | – |
| Transfer to assets of disposal groups classified as held for sale | – | – | (120) |
| Charged to income statement | 13 | 24 | 40 |
| Deductions ⁽¹⁾ | (47) | (45) | (44) |
| At December 31 | 62 | 103 | 124 |

(1) Deductions include utilization and releases of allowances.

23. Prepaid expenses and accrued income

| EURm | 2015 | 2014 |
|---|------------|------------|
| Social security, VAT and other indirect taxes | 258 | 362 |
| Divestment-related receivables | 160 | 206 |
| Deposits | 83 | 59 |
| Deferred cost of sales | 28 | 30 |
| Accrued revenue | 21 | 2 |
| Prepaid insurances | 21 | 22 |
| Accrued and prepaid interest | 17 | 37 |
| Prepaid rental expenses | 15 | 20 |
| Other | 146 | 175 |
| Total | 749 | 913 |

24. Shares of the Parent Company

Shares and share capital

Nokia Corporation ("Parent Company") has one class of shares. Each share entitles the holder to one vote at General Meetings. At December 31, 2015, the share capital of Nokia Corporation is EUR 245 896 461.96 and the total number of shares issued is 3 992 863 716. At December 31, 2015, the total number of shares includes 53 668 695 shares owned by Group companies representing 1.3% of share capital and total voting rights. Under the Nokia Articles of Association, Nokia Corporation does not have minimum or maximum share capital or share par value.

On February 4, 2015, the Parent Company cancelled 66 903 682 shares.

In 2015, under the authorization held by the Board of Directors and in line with the capital structure optimization program, the Parent Company repurchased 24 516 089 shares representing approximately 0.6% of share capital and total voting rights. The price paid for the shares was based on the current market price of the Nokia share on the securities market at the time of the repurchase.

On January 7, 2016, in connection with the transaction with Alcatel Lucent, the Parent Company issued, under the authorization granted to the Board of Directors in the Extraordinary General Meeting held on December 2, 2015, a total of 1 455 678 563 new Nokia shares as consideration for the Alcatel Lucent securities tendered into the initial Public Exchange Offers made in France and the United States. On February 12, 2016, after the offers were reopened and settled in France and the United States, the Parent Company issued, under the authorization granted to the Board of Directors in the Extraordinary General Meeting held on December 2, 2015, a total of 320 701 193 new Nokia shares as consideration for the Alcatel Lucent securities tendered into the reopened Public Exchange Offers.

Authorizations

Authorization to issue shares and special rights entitling to shares

At the Annual General Meeting held on June 17, 2014, the shareholders authorized the Board of Directors to issue a maximum of 740 million shares through one or more issues of shares or special rights entitling to shares. The Board of Directors may issue either new shares or shares held by the Parent Company. The authorization includes the right for the Board of Directors to resolve on all the terms and conditions of such share and special rights issuances, including issuance in deviation from the shareholders' pre-emptive rights. The authorization may be used to develop the Parent Company's capital structure, diversify the shareholder base, finance or carry out acquisitions or other arrangements, settle the Parent Company's equity-based incentive plans, or for other purposes resolved by the Board of Directors. The authorization that would have been effective until December 17, 2015 was terminated by the resolution of the Annual General Meeting on May 5, 2015.

At the Annual General Meeting held on May 5, 2015, the shareholders authorized the Board of Directors to issue a maximum of 730 million shares through one or more issues of shares or special rights entitling to shares. The Board of Directors may issue either new shares or shares held by the Parent Company. The authorization includes the right for the Board of Directors to resolve on all the terms and conditions of such share and special rights issuances, including issuance in deviation from the shareholders' pre-emptive rights. The authorization may be used to develop the Parent Company's capital structure, diversify the shareholder base, finance or carry out acquisitions or other arrangements, settle the Parent Company's equity-based incentive plans, or for other purposes resolved by the Board of Directors. The authorization is effective until November 5, 2016.

At the Extraordinary General Meeting held on December 2, 2015, the shareholders authorized the Board of Directors to issue, in deviation from the shareholders' pre-emptive right, a maximum of 2 100 million shares through one or more share issues. The authorization includes the right for the Board of Directors to resolve on all the terms and conditions of such share issuances. The authorization may be used to issue Parent Company shares to the holders of Alcatel Lucent shares, American depositary shares and convertible bonds as well as to beneficiaries of Alcatel Lucent employee equity compensation arrangements for the purpose of implementing the transaction with Alcatel Lucent, including the consummation of the public Exchange Offers made to Alcatel Lucent shareholders as well as other transactions contemplated by the memorandum of understanding between the Group and Alcatel Lucent, and/or otherwise to effect the combination of the Group and Alcatel Lucent. The authorization is effective until December 2, 2020.

In 2015, the Parent Company issued 1 042 016 new shares following the holders of stock options issued in 2011 and 2012 exercising their options.

On October 26, 2012, the Group issued a EUR 750 million convertible bond based on an authorization to issue shares and special rights entitling to shares, granted by the Annual General Meeting on May 6, 2010 and terminated by a resolution in the Annual General Meeting on May 7, 2013. The bonds had a five-year maturity and a 5.0% per annum coupon payable semi annually. The initial conversion price was EUR 2.6116, which was adjusted to EUR 2.44 per share on June 18, 2014 due to the distribution of ordinary and special dividends, as resolved by the Annual General Meeting on June 17, 2014. The conversion price was further adjusted to EUR 2.39 per share on May 6, 2015 due to the distribution of ordinary dividends, as resolved by the Annual General Meeting on May 5, 2015. The right to convert the bonds into shares commenced on December 6, 2012 and ends on October 18, 2017. Bond terms and conditions require conversion price adjustments following dividend distributions.

In 2015 and until October 2015, due to the bondholders exercising their conversion rights, a total of 40 983 Nokia shares were subscribed for and issued in deviation from the pre-emptive subscription right of the shareholders under the authorization held by the Board of Directors.

On October 8, 2015, the Group announced that it had decided to exercise its option to redeem the EUR 750 million convertible bond on November 26, 2015 at the principal amount outstanding plus accrued interest. Prior to the redemption, the bondholders had the option to convert their convertible bonds into Nokia shares at a conversion price of EUR 2.39. Due to the bondholders using their conversion right, a total of 313 640 153 Nokia shares were subscribed for and issued in deviation from the pre-emptive subscription right of the shareholders under the authorization held by the Board of Directors. On the redemption date, November 26, 2015, the outstanding amount of convertible bonds, EUR 200 000, was redeemed at their principal amount plus accrued unpaid interest.

At December 31, 2015, the Board of Directors had no other authorizations to issue shares, convertible bonds, warrants or stock options.

Other authorizations

At the Annual General Meeting held on June 17, 2014, the shareholders authorized the Board of Directors to repurchase a maximum of 370 million Nokia shares. The amount corresponds to less than 10% of the total number of Nokia shares. The shares may be repurchased in order to develop the capital structure of the Parent Company and are expected to be cancelled. In addition, the shares may be repurchased in order to finance or carry out acquisitions or other arrangements, to settle the Parent Company's equity-based incentive plans, or to be transferred for other purposes. The authorization that would have been effective until December 17, 2015 was terminated by the resolution of the Annual General Meeting on May 5, 2015.

At the Annual General Meeting held on May 5, 2015, the shareholders authorized the Board of Directors to repurchase a maximum of 365 million shares. The amount corresponds to less than 10% of the total number of Parent Company's shares. The shares may be repurchased in order to optimize the capital structure of the Parent Company, to finance or carry out acquisitions or other arrangements, to settle the Parent Company's equity-based incentive plans or to be transferred for other purposes. The authorization is effective until November 5, 2016.

25. Share-based payment

The Group has several equity-based incentive programs for employees. The plans include performance share plans, restricted share plans, employee share purchase plans, and stock option plans. Both executives and employees participate in these programs. The global equity-based incentive programs are offered to employees of Nokia Networks (from 2014), Nokia Technologies and Group Common Functions. The global equity-based incentive programs were offered to the employees of HERE until 2015 and Devices & Services until 2013. The equity-based incentive grants are generally conditional on continued employment as well as the fulfillment of the performance, service and other conditions determined in the relevant plan rules. The share-based payment expense for all equity-based incentive grants for Continuing operations amounts to EUR 67 million (EUR 53 million in 2014 and EUR 37 million in 2013). The share-based payment expense for all equity-based incentive grants related to Discontinued operations is EUR 10 million (EUR 20 million for 2014 and EUR 20 million in 2013). In 2015, at the closing date of the Sale of the HERE Business, all unvested equity grants held by HERE employees were forfeited. In 2015, the share-based payment expense for Discontinued operations includes a separately agreed liability for the cash settlement of HERE equity grants that were to vest in January 2016.

Performance shares

In 2015, the Group administered four global performance share plans, the Performance Share Plans of 2012, 2013, 2014 and 2015. The performance shares represent a commitment by the Group to deliver Nokia shares to employees at a future point in time, subject to the fulfillment of predetermined performance criteria. In the Performance Share Plan of 2015, performance shares were granted with defined performance criteria and included a minimum payout amount guarantee. As a result of the minimum payout amount defined in the terms and conditions of the 2015 Plan, at the end of the performance period, the number of shares to be settled following the restriction period will start at a minimum of 50% of the granted amount at threshold. The threshold number of performance shares at threshold is the amount of performance shares granted to an individual that will be settled if the threshold performance with respect to one performance criterion is achieved. Any additional payout beyond the minimum amount will be determined based on the financial performance against the established performance criteria during the two-year performance period. At maximum performance, the settlement amounts to four times the amount at threshold.

Notes to consolidated financial statements continued

Global performance share plans at December 31:

| Plan | Performance shares outstanding at threshold | Confirmed payout (% of threshold) | Performance period | Restriction period ⁽¹⁾ | Settlement year |
|------|---|-----------------------------------|--------------------|-----------------------------------|-----------------|
| 2012 | – | 0%, no settlement | 2012-2013 | 2014 | 2015 |
| 2013 | 569 829 | 173% | 2013-2014 | 2015 | 2016 |
| 2014 | 5 282 838 | 251% | 2014-2015 | 2016 | 2017 |
| 2015 | 5 611 758 | | 2015-2016 | 2017 | 2018 |

(1) Restriction period ends on the first day of the year following the restriction period.

Performance criteria for the year ended December 31:

| Performance criteria | | Threshold performance | Maximum performance | Weight |
|-------------------------------|--|-----------------------|---------------------|--------|
| 2015 Plan | | | | |
| Nokia Group employees | Average annual non-IFRS ⁽¹⁾ net sales (Nokia Group) | EURm 12 389 | EURm 14 736 | 50% |
| | Average annual diluted non-IFRS ⁽¹⁾ EPS (Nokia Group) | EUR 0.23 | EUR 0.37 | 50% |
| HERE employees ⁽²⁾ | Average annual non-IFRS ⁽¹⁾ net sales (HERE) | EURm 954 | EURm 1 134 | 50% |
| | Average annual non-IFRS ⁽¹⁾ operating profit (HERE) | EURm 67 | EURm 172 | 25% |
| | Average annual diluted non-IFRS ⁽¹⁾ EPS (Nokia Group) | EUR 0.23 | EUR 0.37 | 25% |
| 2014 Plan | | | | |
| Nokia Group employees | Average annual non-IFRS ⁽¹⁾ net sales (Nokia Group) | EURm 11 135 | EURm 15 065 | 50% |
| | Average annual diluted non-IFRS ⁽¹⁾ EPS (Nokia Group) | EUR 0.11 | EUR 0.38 | 50% |
| HERE employees ⁽²⁾ | Average annual non-IFRS ⁽¹⁾ net sales (HERE) | EURm 950 | EURm 1 150 | 50% |
| | Average annual non-IFRS ⁽¹⁾ operating profit (HERE) | EURm 0 | EURm 130 | 25% |
| | Average annual diluted non-IFRS ⁽¹⁾ EPS (Nokia Group) | EUR 0.11 | EUR 0.38 | 25% |

(1) Non-IFRS measures exclude goodwill impairment charges, intangible asset amortization and items related to purchase price allocation, as well as restructuring-related costs, costs related to the Alcatel Lucent transaction and certain other items that may not be indicative of the Group's underlying business.

(2) In 2015, Performance Share Plans for HERE employees were forfeited as a result of the Sale of the HERE Business.

Until the shares are delivered, the participants do not have any shareholder rights, such as voting or dividend rights, associated with the performance shares. The performance share grants are generally forfeited if the employment relationship with the Group terminates prior to vesting. Unvested performance shares for employees transferred with the Sale of the HERE Business in 2015 and for employees who were transferred to Microsoft following the Sale of the D&S Business in 2014 have been forfeited.

Restricted shares

In 2015, the Group administered four global restricted share plans: the Restricted Share Plan 2012, 2013, 2014 and 2015. The Restricted Share Plan 2015 introduced a new vesting schedule for the 2015 Plan year as well as any future plans. The vesting schedule for plans prior to the 2015 Plan was 36 months following the grant quarter. The new vesting schedule for the 2015 Plan introduces tranche vesting with one third of granted instruments vesting in each of the plan's 3-year duration. Restricted shares are granted for exceptional retention and recruitment purposes to ensure the Group is able to retain and recruit talent critical to its future success. Until the shares are delivered, the participants do not have any shareholder rights, such as voting or dividend rights, associated with the restricted shares. The restricted share grants are generally forfeited if the employment relationship with the Group terminates prior to vesting. Unvested restricted shares for employees transferred with the Sale of the HERE Business in 2015 and employees that were transferred to Microsoft following the Sale of the D&S Business in 2014 have been forfeited.

Active share-based payment plans by instrument

| | Performance shares outstanding at threshold ⁽¹⁾ | | Restricted shares outstanding ⁽¹⁾ | |
|---|--|---|--|---|
| | Number of performance shares at threshold | Weighted average grant date fair value EUR ⁽²⁾ | Number of restricted shares outstanding | Weighted average grant date fair value EUR ⁽²⁾ |
| At January 1, 2013 | 8 574 085 | | 23 680 532 | |
| Granted | 6 696 241 | 2.96 | 12 347 931 | 3.05 |
| Forfeited | (1 512 710) | | (3 490 913) | |
| Vested ⁽³⁾ | (2 767 412) | | (2 180 700) | |
| At December 31, 2013 | 10 990 204 | | 30 356 850 | |
| Granted | 6 967 365 | 6.07 | 1 013 466 | 5.62 |
| Forfeited | (9 338 036) | | (19 546 605) | |
| Vested | (2 500) | | (4 228 306) | |
| At December 31, 2014 | 8 617 033 | | 7 595 405 | |
| Granted | 6 776 996 | 5.78 | 342 200 | 6.22 |
| Forfeited | (3 929 604) | | (3 880 221) | |
| Vested | – | | (1 952 910) | |
| At December 31, 2015⁽⁴⁾ | 11 464 425 | | 2 104 474 | |

(1) Includes performance and restricted shares granted under other than global equity plans.

(2) The fair values of performance and restricted shares are estimated based on the grant date market price of the Nokia share less the present value of dividends expected to be paid during the vesting period.

(3) Shares vested at 0% payout.

(4) Includes 569 829 performance shares for the Performance Share Plan 2013 that vested on January 1, 2016, and 216 304 restricted shares granted in the fourth quarter under the Restricted Share Plan 2012.

Employee share purchase plan

The Group offers a voluntary Employee Share Purchase Plan to employees working for Nokia Networks (from 2015), Nokia Technologies and Group Common Functions. The voluntary Employee Share Purchase Plan was offered to employees of HERE until 2015 and Devices & Services until 2013. Employees make contributions from their salary to purchase Nokia shares on a monthly basis during a 12-month savings period. One matching share is issued for every two purchased shares the employee still holds after the last monthly purchase has been made following the savings period. In 2015, 140 436 matching shares were issued as settlement to the participants of the Employee Share Purchase Plan 2014 (133 341 matching shares issued in 2014). Employees participating in the 2015 Plan who have transferred with the Sale of the HERE Business will receive a cash settlement in 2016 according to their accrued share purchases under the 2015 Plan. Employees who participated in the 2013 Plan who have transferred to Microsoft following the Sale of the D&S Business received a cash settlement in 2014 for their accrued share purchases under the 2013 Plan.

Legacy equity compensation programs

Stock options

In 2015, the Group administered two global stock option plans, the Stock Option Plans 2007 and 2011, approved by the shareholders at the Annual General Meeting in the year when the plan was launched. Stock option plans have not been granted since 2013 as compensation to Group employees.

Each stock option entitles the holder to subscribe for one new Nokia share. The stock options are not transferable and may be exercised for shares only. Shares will be eligible for dividends for the financial year in which the share subscription takes place. Other shareholder rights will commence on the date on which the subscribed shares are entered in the Trade Register. The stock option grants are generally forfeited if the employment relationship with the Group is terminated. Unvested stock options held by employees transferred with the Sale of the HERE Business in 2015 and the employees who were transferred to Microsoft following the Sale of the D&S Business until 2014 have been forfeited.

Notes to consolidated financial statements continued

Reconciliation of stock options outstanding and exercisable:

| Shares under option ⁽¹⁾ | Number of shares | Weighted average exercise price EUR | Weighted average share price EUR | Weighted average grant date fair value EUR ⁽²⁾ | Number of options exercisable | Weighted average exercise price EUR |
|------------------------------------|-------------------|-------------------------------------|----------------------------------|---|-------------------------------|-------------------------------------|
| At January 1, 2013 | 25 846 368 | 5.95 | | | 5 616 112 | 11.96 |
| Granted | 8 334 200 | 2.77 | | 1.23 | | |
| Forfeited | (3 705 512) | 4.06 | | | | |
| Expired | (2 474 864) | 14.78 | | | | |
| At December 31, 2013 | 28 000 192 | 4.47 | | | 4 339 341 | 9.66 |
| Exercised | (56 623) | 5.75 | 6.69 | | | |
| Forfeited | (16 839 593) | 3.39 | | | | |
| Expired | (3 759 953) | 9.94 | | | | |
| At December 31, 2014 | 7 344 023 | 4.81 | | | 1 913 537 | 10.43 |
| Exercised | (1 242 381) | 3.79 | 6.44 | | | |
| Forfeited | (2 215 216) | 2.48 | | | | |
| Expired | (246 140) | 8.07 | | | | |
| At December 31, 2015 | 3 640 286 | 4.67 | | | 2 318 911 | 5.97 |

(1) Includes stock options granted under other than global equity plans, excluding the Nokia Networks Equity Incentive Plan.

(2) Fair value of stock options is calculated using the Black-Scholes model.

Nokia Networks equity incentive plan

Nokia Networks established in 2012 the Nokia Networks Equity Incentive Plan ("the Plan"), a share-based incentive program under which options for Nokia Solutions and Networks B.V. shares were granted to selected key employees and Nokia Networks' senior management, some of whom became members of the Group Leadership Team in 2014. Following the Group's acquisition of Siemens' stake in Nokia Networks and the Sale of the D&S Business, the Board of Directors approved a modification to the Plan in 2014 to allow 30% of the options to vest on the third anniversary of the grant date, with the remainder of the options continuing to become exercisable on the fourth anniversary of the grant date, or earlier, in the event of a corporate transaction as defined in the Plan. The exercise price of the options is based on a per share value on grant as determined for the purposes of the Plan. The options are accounted for as a cash-settled share-based payment liability at December 31, 2015. The fair value of the liability is determined based on the estimated fair value of shares less the exercise price of the options on the reporting date. The total carrying amount of the Plan is EUR 73 million (EUR 80 million in 2014) and is included in accrued expenses and other liabilities in the consolidated statement of financial position.

26. Translation differences

| EURm | Translation differences | | | Net investment hedging | | | Total | | |
|--|-------------------------|----------|--------------|------------------------|-----------|--------------|--------------|-----------|--------------|
| | Gross | Tax | Net | Gross | Tax | Net | Gross | Tax | Net |
| At January 1, 2013 | 961 | 3 | 964 | (269) | 51 | (218) | 692 | 54 | 746 |
| Exchange differences on translating foreign operations | (496) | | (496) | | | – | (496) | – | (496) |
| Net investment hedging gains | | | – | 114 | | 114 | 114 | – | 114 |
| Acquisition of non-controlling interests | 42 | | 42 | | | – | 42 | – | 42 |
| Movements attributable to non-controlling interests | 28 | | 28 | | | – | 28 | – | 28 |
| At December 31, 2013 | 535 | 3 | 538 | (155) | 51 | (104) | 380 | 54 | 434 |
| Exchange differences on translating foreign operations | 628 | | 628 | | | – | 628 | – | 628 |
| Transfer to income statement ⁽¹⁾ | 192 | | 192 | | | – | 192 | – | 192 |
| Net investment hedging losses | | | – | (187) | 34 | (153) | (187) | 34 | (153) |
| Transfer to income statement ⁽¹⁾ | | | – | 20 | (15) | 5 | 20 | (15) | 5 |
| Movements attributable to non-controlling interests | (7) | | (7) | | | – | (7) | – | (7) |
| At December 31, 2014 | 1 348 | 3 | 1 351 | (322) | 70 | (252) | 1 026 | 73 | 1 099 |
| Exchange differences on translating foreign operations | 671 | 1 | 672 | | | – | 671 | 1 | 672 |
| Transfer to income statement ⁽²⁾ | (1 727) | | (1 727) | | | – | (1 727) | – | (1 727) |
| Net investment hedging losses | | | – | (260) | 53 | (207) | (260) | 53 | (207) |
| Transfer to income statement ⁽²⁾ | | | – | 582 | (123) | 459 | 582 | (123) | 459 |
| Movements attributable to non-controlling interests | (4) | | (4) | | | – | (4) | – | (4) |
| At December 31, 2015 | 288 | 4 | 292 | – | – | – | 288 | 4 | 292 |

(1) Reclassified from other comprehensive income to the consolidated income statement primarily due to the Sale of the D&S Business.

(2) Reclassified from other comprehensive income to the consolidated income statement primarily due to the Sale of the HERE Business.

27. Fair value and other reserves

| EURm | Pension remeasurements | | | Hedging reserve | | | Available-for-sale investments | | | Total | | |
|--|------------------------|------------|--------------|-----------------|----------|-------------|--------------------------------|-------------|------------|-------------|------------|------------|
| | Gross | Tax | Net | Gross | Tax | Net | Gross | Tax | Net | Gross | Tax | Net |
| At January 1, 2013 | (147) | 19 | (128) | (10) | – | (10) | 131 | 2 | 133 | (26) | 21 | (5) |
| Pension remeasurements: | | | | | | | | | | | | |
| Transfer to assets of disposal groups classified as held for sale ⁽¹⁾ | 31 | (11) | 20 | | | | | | | 31 | (11) | 20 |
| Remeasurements of defined benefit plans | 114 | (6) | 108 | | | | | | | 114 | (6) | 108 |
| Cash flow hedges: | | | | | | | | | | | | |
| Transfer to assets of disposal groups classified as held for sale ⁽¹⁾ | | | | 48 | | 48 | | | | 48 | – | 48 |
| Net fair value gains | | | | 124 | | 124 | | | | 124 | – | 124 |
| Transfer of gains to income statement as adjustment to net sales | | | | (130) | | (130) | | | | (130) | – | (130) |
| Transfer of gains to income statement as adjustment to cost of sales | | | | (23) | | (23) | | | | (23) | – | (23) |
| Available-for-sale investments: | | | | | | | | | | | | |
| Net fair value gains | | | | | | | 139 | | 139 | 139 | – | 139 |
| Transfer to income statement on impairment | | | | | | | 5 | | 5 | 5 | – | 5 |
| Transfer to income statement on disposal | | | | | | | (95) | | (95) | (95) | – | (95) |
| Acquisition of non-controlling interest | (63) | 3 | (60) | 44 | | 44 | (1) | | (1) | (20) | 3 | (17) |
| Movements attributable to non-controlling interests | (28) | 3 | (25) | (6) | | (6) | | | | (34) | 3 | (31) |
| At December 31, 2013 | (93) | 8 | (85) | 47 | – | 47 | 179 | 2 | 181 | 133 | 10 | 143 |
| Pension remeasurements: | | | | | | | | | | | | |
| Remeasurements of defined benefit plans | (290) | 111 | (179) | | | | | | | (290) | 111 | (179) |
| Cash flow hedges: | | | | | | | | | | | | |
| Net fair value losses | | | | (20) | (5) | (25) | | | | (20) | (5) | (25) |
| Transfer of (gains)/losses to income statement as adjustment to net sales | | | | (25) | 5 | (20) | | | | (25) | 5 | (20) |
| Available-for-sale investments: | | | | | | | | | | | | |
| Net fair value gains/(losses) | | | | | | | 121 | (4) | 117 | 121 | (4) | 117 |
| Transfer to income statement on impairment | | | | | | | 15 | | 15 | 15 | – | 15 |
| Transfer to income statement on disposal | | | | | | | (29) | | (29) | (29) | – | (29) |
| At December 31, 2014 | (383) | 119 | (264) | 2 | – | 2 | 286 | (2) | 284 | (95) | 117 | 22 |
| Pension remeasurements: | | | | | | | | | | | | |
| Disposal of businesses ⁽¹⁾ | 11 | (3) | 8 | | | | | | | 11 | (3) | 8 |
| Remeasurements of defined benefit plans | 109 | (25) | 84 | | | | | | | 109 | (25) | 84 |
| Cash flow hedges: | | | | | | | | | | | | |
| Net fair value (losses)/gains | | | | (66) | 13 | (53) | | | | (66) | 13 | (53) |
| Transfer of losses/(gains) to income statement as adjustment to net sales | | | | 61 | (12) | 49 | | | | 61 | (12) | 49 |
| Available-for-sale investments: | | | | | | | | | | | | |
| Net fair value gains/(losses) | | | | | | | 246 | (21) | 225 | 246 | (21) | 225 |
| Transfer to income statement on impairment | | | | | | | 11 | | 11 | 11 | – | 11 |
| Transfer to income statement on disposal | | | | | | | (144) | 2 | (142) | (144) | 2 | (142) |
| At December 31, 2015 | (263) | 91 | (172) | (3) | 1 | (2) | 399 | (21) | 378 | 133 | 71 | 204 |

(1) Movements after transfer to Discontinued operations represent movements for Continuing operations. The balance at December 31, 2013 represents the balance for Continuing operations.

The Group has defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions for these defined benefit plans are charged or credited to the pension remeasurements reserve. Refer to Note 1, Accounting principles, and Note 8, Pensions. The movement in pension remeasurements, tax, includes EUR 6 million (EUR 10 million in 2014) tax credit for withholding taxes on plan assets.

The Group applies hedge accounting on certain forward foreign exchange contracts that are designated as cash flow hedges. The change in fair value that reflects the change in spot exchange rates is deferred to the hedging reserve to the extent that the hedge is effective. Refer to Note 1, Accounting principles.

The Group invests a portion of cash needed to cover the projected cash needs of its ongoing business operations in highly liquid, interest-bearing investments and certain equity instruments. Changes in the fair value of these available-for-sale investments are recognized in the fair value and other reserves as part of other comprehensive income, with the exception of interest calculated using the effective interest method and foreign exchange gains and losses on current available-for-sale investments recognized directly in the consolidated income statement. Refer to Note 1, Accounting principles.

Notes to consolidated financial statements continued

28. Provisions

| EURm | Restructuring | Divestment-related | Warranty | Project losses | Litigation | Material liability | Other | Total |
|---------------------------------|---------------|--------------------|------------|----------------|------------|--------------------|------------|------------|
| At January 1, 2014 | 443 | – | 94 | 152 | 70 | 19 | 144 | 922 |
| Translation differences | 2 | – | 3 | – | (1) | – | 3 | 7 |
| Reclassification ⁽¹⁾ | 7 | 94 | – | 17 | (7) | – | (17) | 94 |
| Charged to income statement: | | | | | | | | |
| Additional provisions | 116 | 72 | 70 | 64 | 15 | 28 | 87 | 452 |
| Changes in estimates | (56) | (5) | (10) | (30) | (6) | (9) | (15) | (131) |
| | 60 | 67 | 60 | 34 | 9 | 19 | 72 | 321 |
| Utilized during year | (265) | (24) | (40) | (96) | (3) | (14) | (29) | (471) |
| At December 31, 2014 | 247 | 137 | 117 | 107 | 68 | 24 | 173 | 873 |
| Disposal of businesses | – | – | – | – | (3) | – | (2) | (5) |
| Translation differences | (4) | (12) | 2 | – | (11) | – | 7 | (18) |
| Reclassification ⁽²⁾ | (33) | (6) | – | – | 15 | – | (9) | (33) |
| Charged to income statement: | | | | | | | | |
| Additional provisions | 105 | 49 | 31 | 5 | 24 | 46 | 42 | 302 |
| Changes in estimates | (14) | (22) | (21) | (25) | (11) | (20) | (18) | (131) |
| | 91 | 27 | 10 | (20) | 13 | 26 | 24 | 171 |
| Utilized during year | (107) | (17) | (35) | (25) | (13) | (21) | (45) | (263) |
| At December 31, 2015 | 194 | 129 | 94 | 62 | 69 | 29 | 148 | 725 |

(1) The reclassification from other provisions consists of EUR 17 million to project losses. The reclassification from litigation consists of EUR 7 million to restructuring. The reclassification of EUR 94 million was from accrued expenses to divestment-related provisions.

(2) The reclassification from restructuring consists of EUR 18 million to accruals and EUR 15 million to litigation. VAT deposits of EUR 6 million were reclassified to partially offset divestment-related provisions. The reclassification of EUR 9 million from other provisions consists of EUR 5 million to allowance for excess and obsolete inventory and EUR 4 million to accrued expenses.

The restructuring provision includes EUR 194 million (EUR 247 million in 2014) relating to restructuring activities in Nokia Networks including personnel and other restructuring-related costs, such as real estate exit costs. In 2015, Nokia Networks recognized a provision of EUR 71 million relating to certain new cost reduction and efficiency improvement initiatives in Germany, the United States, China and Japan. The majority of restructuring-related outflows is expected to occur over the next two years.

Divestment-related provisions relate to the Sale of the HERE Business and the Sale of the D&S Business and include certain liabilities for which the Group is required to indemnify the consortium of leading automotive companies and Microsoft, respectively. Outflows related to the indemnifications are inherently uncertain.

The warranty provisions relate to products sold. Outflows of warranty provisions are generally expected to occur within the next 18 months.

Provisions for project losses relate to Nokia Networks' onerous contracts. Utilization of provisions for project losses is generally expected to occur over the next 12 months.

The litigation provision includes estimated potential future settlements for litigation. Outflows related to litigations are inherently uncertain and generally occur over several periods.

The material liability provision relates to non-cancellable purchase commitments with suppliers. Outflows are expected to occur over the next 12 months.

Other provisions include provisions for various contractual obligations and other obligations. Outflows related to other provisions are generally expected to occur over the next two years.

Legal matters

A number of Group companies are and will likely continue to be subject to various legal proceedings and investigations that arise from time to time, including proceedings regarding intellectual property, product liability, sales and marketing practices, commercial disputes, employment, and wrongful discharge, antitrust, securities, health and safety, environmental, tax, international trade and privacy matters. As a result, the Group may incur substantial costs that may not be covered by insurance and could affect business and reputation. While management does not expect any of these legal proceedings to have a material adverse effect on the Group's financial position, litigation is inherently unpredictable and the Group may in the future incur judgments or enter into settlements that could have a material adverse effect on its results of operations and cash flows.

Litigation and proceedings

Beijing Capital

In 2010, Beijing Capital Co., Ltd. ("Beijing Capital"), a former shareholder in a Chinese joint venture, Nokia Capital Telecommunications Ltd., initiated an arbitration against Nokia China Investment Co., Ltd. ("Nokia China") in respect of dividends it claims are owed. The Group disputes that dividends are owed to Beijing Capital or otherwise payable by Nokia China. The Group prevailed in the arbitration. Beijing Capital challenged the award before the Beijing Second Intermediary People's Court. On February 19, 2016, the Court dismissed the challenge in a reasoned opinion.

Irish Broadband

In 2010, the Imagine group (IBB Internet Services & Irish Broadband Internet Services trading as Imagine Networks) ("IBB") served a claim in the commercial court of Ireland for breach of contract and tort against Motorola Limited. The claim was later amended to add Imagine Communications Group as an additional plaintiff. In 2011, Nokia Siemens Networks acquired certain assets and liabilities including this matter from Motorola Solutions Inc. ("Motorola"). Among other things, IBB claims that WiMax network equipment purchased from Motorola failed to perform as promised. The Group disputes these allegations. In 2015, the same claim was made against the Group directly for any amount of the claim that is deemed irrecoverable against Motorola by virtue of the assignment. The case is still in the discovery phase and no date for trial has been set.

Vertu

Vertu was a United Kingdom-based business division of the Group that specialized in the provision of luxury mobile phones. The Group divested the Vertu business to Crown Bidco Ltd in 2013. In 2014, Crown Bidco Ltd served a claim in the commercial court in London alleging breach of contract in relation to the transfer of IT assets and breach of warranties under the sale agreement. The Group disputes these allegations. During the process certain counter claims have arisen and the trial is not expected until 2017 in order to accommodate these claims.

Pars Iratel

In 2005, Pars Iratel was contracted as a general contractor to the Mobile Communications Company of Iran ("MCCI") to deliver and implement part of a network expansion in Iran. The Group provided equipment and certain services to Pars Iratel. Pars Iratel became liable for damages to MCCI and suffered other losses. Pars Iratel owes the Group for some of the equipment and services provided and has made claims against the Group for losses it claims to have suffered. In 2010, Nokia Siemens Tietoliikenne Oy ("NSTL") commenced ICC arbitration against Pars Iratel. The matter was heard in Zurich in 2013. On the request of the parties, the arbitration tribunal stayed the proceedings to allow for settlement discussions. In March 2016, the parties entered into a binding settlement agreement and asked the arbitration tribunal to issue an award by consent.

Intellectual property rights litigation

Samsung

In 2013, the Group and Samsung agreed to extend their existing patent license agreement for five years from December 31, 2013. According to the agreement, Samsung will pay additional compensation to the Group from January 1, 2014. In January 2016, the International Court of Arbitration of the International Chamber of Commerce issued its award for the arbitration between the Group and Samsung. The award covers part of the Nokia Technologies patent portfolio until December 31, 2018. The full terms of the agreement are confidential.

LG Electronics

In June 2015, LG Electronics agreed to take a royalty-bearing smartphone patent license from Nokia Technologies. The detailed royalty payment obligations are subject to arbitration, expected to conclude within one to two years. Terms of the agreement are confidential.

Notes to consolidated financial statements continued

29. Accrued expenses, deferred revenue and other liabilities

Non-current liabilities

| EURm | 2015 | 2014 |
|---|--------------|--------------|
| Advance payments and deferred revenue ⁽¹⁾⁽²⁾ | 1 235 | 1 632 |
| Other ⁽²⁾ | 19 | 35 |
| Total | 1 254 | 1 667 |

(1) Includes a prepayment of EUR 1 235 million (EUR 1 390 million in 2014) relating to a ten-year mutual patent license agreement with Microsoft. Refer to Note 3, Disposals treated as Discontinued operations.

(2) In 2014, EUR 59 million has been reclassified from other to advance payments and deferred revenue to conform to current year presentation.

Current liabilities

| EURm | 2015 | 2014 |
|---|--------------|--------------|
| Deferred revenue ⁽¹⁾ | 1 286 | 1 093 |
| Salaries and wages | 741 | 807 |
| Advance payments ⁽¹⁾ | 571 | 736 |
| Social security, VAT and other indirect taxes | 314 | 282 |
| Expenses related to customer projects | 184 | 202 |
| Other | 299 | 512 |
| Total | 3 395 | 3 632 |

(1) In 2014, EUR 133 million has been reclassified from advance payments to deferred revenue to conform to current year presentation.

Other accruals include accrued discounts, royalties, research and development expenses, marketing expenses and interest expenses, as well as various amounts which are individually insignificant.

30. Commitments and contingencies

| EURm | 2015 | 2014 |
|--|------|------|
| Collateral for own commitments | | |
| Assets pledged | 7 | 10 |
| Contingent liabilities on behalf of Group companies | | |
| Other guarantees | 601 | 673 |
| Contingent liabilities on behalf of associated companies and joint ventures | | |
| Financial guarantees on behalf of associated companies and joint ventures | 15 | 13 |
| Contingent liabilities on behalf of other companies | | |
| Financial guarantees on behalf of third parties ⁽¹⁾ | 6 | 6 |
| Other guarantees | 137 | 165 |
| Financing commitments | | |
| Customer finance commitments ⁽¹⁾ | 180 | 155 |
| Venture fund commitments | 230 | 274 |

(1) Refer to Note 35, Risk management.

The amounts represent the maximum principal amount for commitments and contingencies.

Other guarantees on behalf of Group companies include commercial guarantees of EUR 400 million (EUR 465 million in 2014) provided to certain Nokia Networks customers in the form of bank guarantees or corporate guarantees. These instruments entitle the customer to claim compensation from the Group for the non-performance of its obligations under network infrastructure supply agreements. Depending on the nature of the guarantee, compensation is either payable on demand or subject to verification of non-performance. Total value of other guarantees has decreased mainly due to expired guarantees.

Contingent liabilities on behalf of other companies, Other guarantees, are EUR 137 million (EUR 165 million in 2014). The balance mainly relates to the guarantees transferred in connection with the disposal of certain businesses where contractual risks and revenues have been transferred but some of the commercial guarantees remain to be re-assigned legally.

Customer financing commitments of EUR 180 million (EUR 155 million in 2014) are available under loan facilities negotiated mainly with Nokia Networks' customers. Availability of the facility is dependent upon the borrower's continuing compliance with the agreed financial and operational covenants and compliance with other administrative terms of the facility. The loan facilities are primarily available to fund capital expenditure relating to purchases of network infrastructure equipment and services.

Venture fund commitments of EUR 230 million (EUR 274 million in 2014) are financing commitments to a number of funds making technology-related investments. As a limited partner in these funds, the Group is committed to capital contributions and entitled to cash distributions according to the respective partnership agreements and underlying fund activities.

31. Contractual obligations

Payments due for contractual obligations at December 31, 2015 by due date:

| EURm | Within 1 year | 1 to 3 years | 3 to 5 years | More than 5 years | Total |
|--------------------------------------|------------------|-----------------|-----------------|----------------------|--------------|
| Long-term liabilities ⁽¹⁾ | 1 | 9 | 1 480 | 554 | 2 044 |
| Purchase obligations ⁽²⁾ | 1 019 | 361 | 40 | – | 1 420 |
| Operating leases ⁽³⁾ | 124 | 152 | 78 | 122 | 476 |
| Total | 1 144 | 522 | 1 598 | 676 | 3 940 |

(1) Includes current maturities. Refer to Note 35, Risk management.

(2) Includes inventory purchase obligations, service agreements and outsourcing arrangements.

(3) Includes leasing costs for office, manufacturing and warehouse space under various non-cancellable operating leases. Certain contracts contain renewal options for various periods of time.

32. Notes to the consolidated statement of cash flows

| EURm | 2015 | 2014 | 2013 |
|--|--------------|----------------|--------------|
| Adjustments for⁽¹⁾ | | | |
| Depreciation and amortization | 320 | 297 | 728 |
| (Profit)/loss on sale of property, plant and equipment and available-for-sale investments | (132) | (56) | 40 |
| Income tax expense/(benefit) | 338 | (1 281) | 401 |
| Share of results of associated companies and joint ventures (Note 18) | (29) | 12 | (4) |
| Financial income and expenses | 211 | 600 | 264 |
| Transfer from hedging reserve to sales and cost of sales | 61 | (10) | (87) |
| Impairment charges | 11 | 1 335 | 20 |
| Gain on the Sale of the HERE Business, net of tax | (1 178) | – | – |
| Gain on the Sale of the D&S Business ⁽²⁾ | – | (3 386) | – |
| Asset retirements | 6 | 8 | 24 |
| Share-based payment | 49 | 37 | 56 |
| Restructuring-related charges ⁽³⁾ | 48 | 115 | 446 |
| Other income and expenses | 34 | 67 | 25 |
| Total | (261) | (2 262) | 1 913 |
| Change in net working capital | | | |
| (Increase)/decrease in short-term receivables | (693) | 115 | 1 655 |
| Decrease/(increase) in inventories | 341 | (462) | 193 |
| (Decrease)/increase in interest-free short-term liabilities | (646) | 1 500 | (2 793) |
| Total | (998) | 1 153 | (945) |

(1) Adjustments for the Group, including Continuing and Discontinued operations. Refer to Note 3, Disposals treated as Discontinued operations.

(2) In 2014, impairment charges, foreign exchange differences, taxes and other adjustments relating to the Sale of the D&S Business are presented separately from the gain.

(3) Adjustments for restructuring-related charges represent the non-cash portion of the restructuring-related charges recognized in the consolidated income statement.

In 2015, the Group exercised its option to redeem EUR 750 million convertible bonds at their principal amount outstanding plus accrued interest. Virtually all bondholders elected to convert their convertible bonds into Nokia shares before redemption. The conversion did not have a cash impact. In 2014, the convertible bonds issued to Microsoft in 2013 have been netted against the proceeds from the Sale of the D&S Business. The Group did not engage in any material non-cash investing activities in 2013.

Notes to consolidated financial statements continued

33. Principal Group companies

The Group's significant subsidiaries at December 31, 2015:

| Company name | Country of incorporation and place of business | Primary nature of business | Parent holding % | Group ownership interest % |
|--|--|---------------------------------|------------------|----------------------------|
| Nokia Solutions and Networks B.V. | The Hague, Netherlands | Holding company | – | 100.0 |
| Nokia Solutions and Networks Oy | Helsinki, Finland | Sales and manufacturing company | – | 100.0 |
| Nokia Solutions and Networks US LLC | Delaware, USA | Sales company | – | 100.0 |
| Nokia Solutions and Networks Japan Corp. | Tokyo, Japan | Sales company | – | 100.0 |
| Nokia Solutions and Networks India Private Limited | New Delhi, India | Sales and manufacturing company | – | 100.0 |
| Nokia Solutions and Networks System Technology (Beijing) Co., Ltd. | Beijing, China | Sales company | – | 100.0 |
| Nokia Solutions and Networks Branch Operations Oy | Helsinki, Finland | Sales company | – | 100.0 |
| PT Nokia Solutions and Networks Indonesia | Jakarta, Indonesia | Sales company | – | 100.0 |
| Nokia Solutions and Networks Taiwan Co., Ltd. | Taipei, Taiwan | Sales company | – | 100.0 |
| Nokia Solutions and Networks Korea Ltd. | Seoul, South Korea | Sales company | – | 100.0 |
| Nokia Finance International B.V. | Haarlem, Netherlands | Holding company | 100.0 | 100.0 |
| Nokia Technologies Oy | Helsinki, Finland | Sales and development company | 100.0 | 100.0 |

34. Related party transactions

The Group has related party transactions with a pension fund, associated companies and joint ventures, and the management and the Board of Directors. Transactions and balances with companies over which the Group exercises control are eliminated on consolidation. Refer to Note 1, Accounting principles, and Note 33, Principal Group companies.

Transactions with pension fund

The Group has borrowings amounting to EUR 69 million (EUR 69 million in 2014) from Nokia Unterstützungsgesellschaft GmbH, the Group's German pension fund, a separate legal entity. The loan bears interest at the rate of 6% per annum and its duration is pending until further notice by the loan counterparties even though they have the right to terminate the loan with a 90-day notice. The loan is included in long-term interest-bearing liabilities in the consolidated statement of financial position.

Transactions with associated companies and joint ventures

| EURm | 2015 | 2014 | 2013 |
|-----------------------------------|-------|-------|-------|
| Share of results income/(expense) | 29 | (12) | 4 |
| Dividend income | 2 | – | 5 |
| Share of shareholders' equity | 84 | 51 | 53 |
| Sales | (1) | 1 | 6 |
| Purchases | (233) | (305) | (178) |
| Payables | (37) | (35) | (12) |

The Group has guaranteed a loan of EUR 15 million (EUR 13 million in 2014) for an associated company.

Management compensation

Rajeev Suri was appointed the President and CEO of the Group on May 1, 2014. The Chairman of the Board of Directors, Risto Siilasmaa, and the Chief Financial Officer, Timo Ihamuotila, acted as the Interim Chief Executive Officer ("CEO") and the Interim President, respectively, from September 3, 2013 to May 1, 2014 due to changes in the leadership structure following the Sale of the D&S Business.

The following table presents compensation information for the President and CEO of the Group:

| EUR | Base salary/ fee ⁽¹⁾ | Cash incentive payments | Share-based payment expenses | Pension expenses |
|---|------------------------------------|----------------------------|------------------------------------|---------------------|
| 2015 | | | | |
| Rajeev Suri, President and CEO | 1 000 000 | 1 922 195 | 4 604 622 | 491 641 |
| 2014 | | | | |
| Rajeev Suri, President and CEO from May 1, 2014 | 666 667 | 1 778 105 | 3 896 308 | 366 989 |
| Risto Siilasmaa, Interim CEO from September 3, 2013 to May 1, 2014 ⁽²⁾ | 1 126 323 | | | 191 475 |
| Timo Ihamuotila, Interim President from September 3, 2013 to May 1, 2014 ⁽³⁾ | 100 000 | | 72 643 | 17 000 |
| 2013 | | | | |
| Risto Siilasmaa, Interim CEO from September 3, 2013 to May 1, 2014 ⁽²⁾ | 500 000 | | | |
| Timo Ihamuotila, Interim President from September 3, 2013 to May 1, 2014 ⁽³⁾ | 150 000 | | 12 107 | 42 500 |
| Stephen Elop, President and CEO until September 3, 2013 | 753 911 | 769 217 | 2 903 226 | 263 730 |

(1) Base Salaries are pro-rated for the time in role. Incentive payments represent full-year incentive payment earned under the Group's short-term incentive programs. For interim roles, the base salary/fee is for role-related responsibilities only.

(2) Represents the value of 200 000 shares awarded as compensation for additional responsibilities, the balance of which was given in shares after deducting associated taxes and social security contributions.

(3) Includes EUR 100 000 as compensation for additional responsibilities (EUR 150 000 in 2013). Also includes an equity grant with an approximate aggregate grant date value of EUR 250 000 in the form of Nokia stock options and Nokia restricted shares. These grants are subject to the standard terms and conditions and vesting schedules of the Group's equity plans. Refer to Note 25, Share-based payment.

Total remuneration awarded to the Group Leadership Team for their time as members of the Group Leadership Team:

| EURm | 2015 | 2014 | 2013 |
|---|-----------|-----------|-----------|
| Short-term benefits | 9 | 8 | 9 |
| Post-employment benefits ⁽¹⁾ | 1 | 1 | 1 |
| Share-based payment ⁽²⁾ | 9 | (3) | 8 |
| Termination benefits ⁽³⁾ | 3 | 36 | 1 |
| Total | 22 | 42 | 19 |

(1) The members of the Group Leadership Team participate in the local retirement programs applicable to employees in the country where they reside.

(2) Due to the significant changes in the Group Leadership Team during 2014, following the Sale of the D&S Business, share-based payment for 2014 reflects cumulative expense reversal for lapsed equity awards.

(3) Includes both termination payments and payments made under exceptional contractual arrangements for lapsed equity awards. Includes payments to former leadership members that left the Group in 2015.

Notes to consolidated financial statements continued

Board of Directors' compensation

The annual remuneration structure paid to the members of the Board of Directors, as decided on by the Annual General Meetings in the respective years:

| | 2015 | | 2014 | | 2013 | |
|--|--|---------------------------|--|---------------------------|--|---------------------------|
| | Gross annual fee ⁽¹⁾ EUR | Shares received number | Gross annual fee ⁽¹⁾ EUR | Shares received number | Gross annual fee ⁽¹⁾ EUR | Shares received number |
| Risto Siilasmaa, Chairman ⁽²⁾ | 440 000 | 29 339 | 440 000 | 31 186 | 440 000 | 77 217 |
| Jouko Karvinen, Vice Chairman until January 8, 2016 ⁽³⁾ | 175 000 | 11 667 | 175 000 | 12 403 | 175 000 | 14 374 |
| Vivek Badrinath ⁽⁴⁾ | 140 000 | 9 333 | 140 000 | 9 922 | – | – |
| Bruce Brown ⁽⁵⁾ | 155 000 | 10 333 | 155 000 | 10 986 | 130 000 | 10 678 |
| Elizabeth Doherty, Board member until January 8, 2016 ⁽⁶⁾ | 140 000 | 9 333 | 140 000 | 9 922 | 140 000 | 11 499 |
| Simon Jiang ⁽⁷⁾ | 130 000 | 8 666 | – | – | – | – |
| Henning Kagermann ⁽⁸⁾ | – | – | – | – | 155 000 | 12 731 |
| Helge Lund ⁽⁸⁾ | – | – | – | – | 130 000 | 10 678 |
| Mårten Mickos ⁽⁹⁾ | – | – | 130 000 | 9 214 | 130 000 | 10 678 |
| Elizabeth Nelson ⁽¹⁰⁾ | 140 000 | 9 333 | 140 000 | 9 922 | 140 000 | 11 499 |
| Kari Stadigh | 130 000 | 8 666 | 130 000 | 9 214 | 130 000 | 10 678 |
| Dennis Strigl ⁽⁹⁾ | – | – | 130 000 | 9 214 | – | – |
| Total | 1 450 000 | | 1 580 000 | | 1 570 000 | |

(1) Approximately 40% of each Board member's annual compensation is paid in Nokia shares purchased from the market. The remaining approximately 60% is paid in cash.

(2) Represents compensation paid for services as the Chairman of the Board. Excludes compensation paid for services as the Interim CEO during 2013 and 2014. Refer to the management compensation section of this note.

(3) Consists of EUR 150 000 for service as Vice Chairman of the Board until January 8, 2016 and EUR 25 000 for services as the Chairman of the Audit Committee.

(4) Consists of EUR 130 000 for services as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.

(5) Consists of EUR 130 000 for services as a member of the Board and EUR 25 000 for service as the Chairman of the Personnel Committee.

(6) Consists of EUR 130 000 for services as a member of the Board and EUR 10 000 for service as a member of the Audit Committee, both until January 8, 2016.

(7) Appointed by the Annual General Meeting in 2015.

(8) Served on the Board until the Annual General Meeting in 2014.

(9) Served on the Board until the Annual General Meeting in 2015.

(10) Consists of EUR 130 000 for services as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.

Transactions with the Group Leadership Team and the Board of Directors

No loans have been granted to the members of the Group Leadership Team and the Board of Directors in 2015, 2014, or 2013.

Terms of termination of employment of the President and CEO

The President and CEO, Rajeev Suri, may terminate his service contract at any time with six months' prior notice. The Group may terminate his service contract for reasons other than cause at any time with an 18 months' notice period. If there is a change of control event as defined in Mr. Suri's service contract and the service contract is terminated either by the Group without cause, or by him for "good reason", his outstanding unvested equity awards may vest pro rata if he is dismissed within 18 months of the change in control event. If before June 30, 2016 a "limited termination event" takes place, as defined in Mr. Suri's service contract, he will be entitled to the pro-rated value of his Nokia Networks Equity Incentive Plan options, should his employment be terminated within six months of such an event taking place.

Termination benefits of the former President and CEO

The former President and CEO, Stephen Elop, received a severance payment of EUR 24.2 million consisting of a base salary and management incentive of EUR 4.1 million, and equity awards amounting to EUR 20.1 million. According to the terms of the purchase agreement with Microsoft entered into in connection with the Sale of the D&S Business, 30% of the total severance payment amounting to EUR 7.3 million was borne by the Group and the remaining 70% was borne by Microsoft.

35. Risk management

General risk management principles

The Group has a systematic and structured approach to risk management across business operations and processes. Key risks and opportunities are identified primarily against business targets either in business operations or as an integral part of long- and short-term planning. Key risks and opportunities are analyzed, managed, monitored and identified as part of business performance management with the support of risk management personnel. The Group's overall risk management concept is based on managing the key risks that would prevent the Group from meeting its objectives, rather than solely focusing on eliminating risks. The principles documented in the Nokia Risk Management Policy, which is approved by the Audit Committee of the Board of Directors, require risk management, and its elements to be integrated into key processes. One of the main principles is that the business or function head is also the risk owner, although all employees are responsible for identifying, analyzing and managing risks as appropriate to their roles and duties. Risk management covers strategic, operational, financial and hazard risks. Key risks and opportunities are reviewed by the Group Leadership Team and the Board of Directors in order to create visibility on business risks as well as to enable prioritization of risk management activities. In addition to the principles defined in the Nokia Risk Management Policy, specific risk management implementation is reflected in other key policies.

Financial risks

The objective for treasury activities is to guarantee sufficient funding at all times and to identify, evaluate and manage financial risks. Treasury activities support this aim by mitigating the adverse effects on the profitability of the underlying business caused by fluctuations in the financial markets, and by managing the capital structure of the Group by balancing the levels of liquid assets and financial borrowings. Treasury activities are governed by the Nokia Group Treasury Policy approved by the Group CEO which provides principles for overall financial risk management and determines the allocation of responsibilities for financial risk management activities. Operating procedures approved by the Group CFO cover specific areas such as foreign exchange risk, interest rate risk, credit and liquidity risk as well as the use of derivative financial instruments in managing these risks. The Group is risk-averse in its treasury activities.

Financial risks are divided into market risk covering foreign exchange risk, interest rate risk and equity price risk; credit risk covering business-related credit risk and financial credit risk; and liquidity risk.

Market risk

Methodology for assessing market risk exposures: Value-at-Risk

The Group uses the Value-at-Risk ("VaR") methodology to assess exposures to foreign exchange, interest rate, and equity price risks. The VaR-based methodology provides estimates of potential fair value losses in market risk-sensitive instruments as a result of adverse changes in specified market factors, at a specified confidence level over a defined holding period. The Group calculates the foreign exchange VaR using the Monte Carlo method which simulates random values for exchange rates in which the Group has exposures and takes the non-linear price function of certain foreign exchange derivative instruments into account.

The VaR is determined using volatilities and correlations of rates and prices estimated from a sample of historical market data, at a 95% confidence level, using a one-month holding period. To put more weight on recent market conditions, an exponentially weighted moving average is performed on the data with an appropriate decay factor. This model implies that within a one-month period, the potential loss will not exceed the VaR estimate in 95% of possible outcomes. In the remaining 5% of possible outcomes the potential loss will be at minimum equal to the VaR figure and, on average, substantially higher. The VaR methodology relies on a number of assumptions which include the following: risks are measured under average market conditions, changes in market risk factors follow normal distributions, future movements in market risk factors are in line with estimated parameters and the assessed exposures do not change during the holding period. Thus, it is possible that, for any given month, the potential losses at a 95% confidence level are different and could be substantially higher than the estimated VaR.

Notes to consolidated financial statements continued

Foreign exchange risk

The Group operates globally and is exposed to transaction and translation foreign exchange risks. Transaction risk arises from foreign currency denominated assets and liabilities together with foreign currency denominated future cash flows. Transaction exposures are managed in the context of various functional currencies of foreign Group companies. The Group's foreign exchange procedures remain the same as in the previous year. Material transactional foreign exchange exposures are hedged unless hedging would be uneconomical due to market liquidity and/or hedging cost. Exposures are defined using transaction nominal values. Exposures are mainly hedged with derivative financial instruments such as forward foreign exchange contracts and foreign exchange options. The majority of financial instruments hedging foreign exchange risk have a duration of less than a year. The Group does not hedge forecast foreign currency cash flows beyond two years.

As the Group has entities where the functional currency is other than the euro, the shareholders' equity is exposed to fluctuations in foreign exchange rates. Equity changes caused by movements in foreign exchange rates are shown as currency translation differences in the Group's consolidated financial statements. The Group may, from time to time, use forward foreign exchange contracts, foreign exchange options and foreign currency denominated loans to hedge its foreign exchange exposure arising from foreign net investments.

The Group has certain entities where the functional currency is the currency of a hyperinflationary economy. In 2015, the Group recorded an expense of EUR 7 million (EUR 17 million in 2014, not material in 2013), mainly recognized in financial income and expenses, as a result of the Group's hyperinflationary accounting assessment for its entity in Venezuela. Business operations in hyperinflationary economies carry a risk of future devaluation of monetary assets and liabilities. This risk cannot be hedged.

Currencies that represent a significant portion of the currency mix in outstanding financial instruments at December 31:

| EURm | USD | JPY | CNY | KRW |
|--|---------|-------|-------|-------|
| 2015 | | | | |
| Foreign exchange derivatives used as cash flow hedges, net ⁽¹⁾ | (465) | (262) | – | (63) |
| Foreign exchange derivatives used as net investment hedges, net ⁽²⁾ | (296) | – | – | (24) |
| Foreign exchange exposure from statement of financial position items, net | (1 004) | 910 | 32 | 44 |
| Foreign exchange derivatives not designated in a hedge relationship, carried at fair value through profit and loss, net ⁽³⁾ | (226) | (559) | 18 | (59) |
| Cross-currency/interest rate hedges | 1 001 | (311) | – | – |
| 2014 | | | | |
| Foreign exchange derivatives used as cash flow hedges, net ⁽¹⁾ | (198) | (365) | – | – |
| Foreign exchange derivatives used as net investment hedges, net ⁽²⁾ | (1 808) | – | – | – |
| Foreign exchange exposure from statement of financial position items, net | (2 272) | 224 | 325 | 127 |
| Foreign exchange derivatives not designated in a hedge relationship, carried at fair value through profit and loss, net ⁽³⁾ | 1 670 | (272) | (371) | (159) |
| Cross-currency/interest rate hedges | 440 | – | – | – |

(1) Used to hedge the foreign exchange risk from forecasted highly probable cash flows related to sales, purchases and business acquisition activities. In some currencies, especially the US dollar, the Group has substantial foreign exchange risks in both estimated cash inflows and outflows. The underlying exposures for which these hedges are entered into are not presented in the table as they are not financial instruments.

(2) Used to hedge the Group's net investment exposure. The underlying exposures for which these hedges are entered into are not presented in the table as they are not financial instruments.

(3) The statement of financial position items and some probable forecasted cash flows which are denominated in foreign currencies are hedged by a portion of foreign exchange derivatives not designated in a hedge relationship and carried at fair value through profit and loss.

The VaR figures for the Group's financial instruments which are sensitive to foreign exchange risks are presented in the table below. The VaR calculation includes foreign currency denominated monetary financial instruments such as: available-for-sale investments, loans and accounts receivable, investments at fair value through profit and loss, cash, loans and accounts payable; foreign exchange derivatives carried at fair value through profit and loss which are not in a hedge relationship and are mostly used to hedge the statement of financial position foreign exchange exposure; and foreign exchange derivatives designated as forecasted cash flow hedges and net investment hedges. Most of the VaR is caused by these derivatives as forecasted cash flow and net investment exposures are not financial instruments as defined in IFRS 7, Financial Instruments: Disclosures, and thus not included in the VaR calculation.

| EURm | 2015 | 2014 |
|----------------------|--------------------------------|-------|
| | VaR from financial instruments | |
| At December 31 | 54 | 79 |
| Average for the year | 145 | 54 |
| Range for the year | 54–217 | 30–94 |

Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of the consolidated statement of financial position items (price risk) or through changes in interest income or expenses (refinancing or reinvestment risk). Interest rate risk mainly arises from interest-bearing liabilities and assets. Estimated future changes in cash flows and the statement of financial position structure also expose the Group to interest rate risk. The objective of interest rate risk management is to mitigate the impact of interest rate fluctuations on the consolidated income statement, cash flow, and financial assets and liabilities whilst taking into consideration the Group's target capital structure and the resulting net interest rate exposure.

Interest rate profile of interest-bearing assets and liabilities at December 31:

| EURm | 2015 | | 2014 | |
|---|--------------|---------------|--------------|---------------|
| | Fixed rate | Floating rate | Fixed rate | Floating rate |
| Assets | 3 721 | 6 160 | 3 494 | 4 243 |
| Liabilities | (2 068) | (1) | (2 681) | (1) |
| Assets and liabilities before derivatives | 1 653 | 6 159 | 813 | 4 242 |
| Interest rate derivatives | 981 | (986) | 552 | (469) |
| Assets and liabilities after derivatives | 2 634 | 5 173 | 1 365 | 3 773 |

The interest rate exposure is monitored and managed centrally. The Group uses the VaR methodology complemented by selective shock sensitivity analyses to assess and measure the Group's interest rate exposure comprising the interest rate risk of interest-bearing assets, interest-bearing liabilities and related derivatives. The VaR for the interest rate exposure in the investment and debt portfolios is presented in the table below. Sensitivities to credit spreads are not reflected in the below numbers.

| EURm | 2015 | 2014 |
|----------------------|-------|-------|
| At December 31 | 23 | 31 |
| Average for the year | 29 | 32 |
| Range for the year | 23–36 | 25–54 |

Equity price risk

The Group's exposure to equity price risk is related to certain publicly listed equity shares. The fair value of these investments is EUR 16 million (EUR 12 million in 2014). The VaR for the Group's equity investments in publicly traded companies is insignificant. The private venture funds where the Group has investments may, from time to time, have investments in public equity. Such investments have not been included in the above number.

Other market risk

In certain emerging market countries, there are local exchange control regulations that restrict cross-border transfers of funds as well as other regulations that impact the Group's ability to control its net assets in those countries.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from credit exposures to customers, including outstanding receivables, financial guarantees and committed transactions, as well as financial institutions, including bank and cash, fixed-income and money-market investments, and derivative financial instruments. Credit risk is managed separately for business-related and financial credit exposures.

Except for the first two items in the following table, the maximum exposure to credit risk is limited to the book value of financial assets as included in the consolidated statement of financial position:

| EURm | 2015 | 2014 |
|---|------------|------------|
| Financial guarantees given on behalf of customers and other third parties | 6 | 6 |
| Loan commitments given but not used | 180 | 155 |
| Outstanding customer finance loans | 33 | 1 |
| Total | 219 | 162 |

Notes to consolidated financial statements continued

Business-related credit risk

The Group aims to ensure the highest possible quality in accounts receivable and loans due from customers and other third parties. The Credit Policy, approved by the Group President and CEO, and the related procedures approved by the Group CFO, lay out the framework for the management of the business-related credit risks. The Credit Policy and related procedures set out that credit decisions are based on credit evaluation in each business, including credit rating for larger exposures, according to defined rating principles. Material credit exposures require Group-level approval. Credit risks are monitored in each business and, where appropriate, mitigated with the use of letters of credit, collateral, insurance, and the sale of selected receivables.

Credit exposure is measured as the total of accounts receivable and loans outstanding due from customers and committed credits. Accounts receivable do not include any major concentrations of credit risk by customer. The top three customers account for approximately 9.6%, 5.9% and 3.5% (3.5%, 2.9% and 2.8% in 2014) of the Group's accounts receivable and loans due from customers and other third parties at December 31, 2015. The top three credit exposures by country account for approximately 19.6%, 12.1% and 10.8% (18.0%, 7.4% and 5.6% in 2014) of the Group's accounts receivable and loans due from customers and other third parties at December 31, 2015. The 19.6% credit exposure relates to accounts receivable in China (18.0% in 2014).

The Group has provided allowances for doubtful accounts on accounts receivable and loans due from customers and other third parties not past due based on an analysis of debtors' credit ratings and credit histories. The Group establishes allowances for doubtful accounts that represent an estimate of expected losses at the end of the reporting period. All receivables and loans due from customers are considered on an individual basis to determine the allowances for doubtful accounts. The total of accounts receivable and loans due from customers is EUR 3 946 million (EUR 3 432 million in 2014). The gross carrying amount of accounts receivable, related to customer balances for which valuation allowances have been recognized, is EUR 1 150 million (EUR 1 200 million in 2014). The allowances for doubtful accounts for these accounts receivable as well as amounts expected to be uncollectible for acquired receivables are EUR 62 million (EUR 103 million in 2014). Refer to Note 22, Allowances for doubtful accounts.

Aging of past due receivables not considered to be impaired at December 31:

| EURm | 2015 | 2014 |
|----------------------|------------|------------|
| Past due 1-30 days | 25 | 68 |
| Past due 31-180 days | 53 | 42 |
| More than 180 days | 124 | 35 |
| Total | 202 | 145 |

Hazard risk

The Group strives to ensure that all financial, reputation and other losses to the Group and its customers are managed through preventive risk management measures. Insurance is purchased for risks which cannot be internally managed efficiently and where insurance markets offer acceptable terms and conditions. The objective is to ensure that hazard risks, whether related to physical assets, such as buildings, intellectual assets, such as the Nokia brand, or potential liabilities, such as product liabilities, are insured optimally taking into account both cost and retention levels. The Group purchases both annual insurance policies for specific risks as well as multi-line and/or multi-year insurance policies where available.

Financial credit risk

Financial instruments contain an element of risk resulting from changes in the market price due to counterparties becoming less creditworthy or risk of loss due to counterparties being unable to meet their obligations. Financial credit risk is measured and monitored centrally by Group Treasury. Financial credit risk is managed actively by limiting counterparties to a sufficient number of major banks and financial institutions, and by monitoring the creditworthiness and the size of exposure continuously. Additionally, the Group enters into netting arrangements with all major counterparties, which give the Group the right to offset in the event that the counterparty would not be able to fulfill its obligations. The Group enters into collateral agreements with certain counterparties, which require counterparties to post collateral against derivative receivables.

Investment decisions are based on strict creditworthiness and maturity criteria as defined in the Treasury-related policies and procedures. As a result of this investment policy approach and active management of outstanding investment exposures, the Group has not been subject to any material credit losses in its financial investments in the years presented.

Breakdown of outstanding fixed-income and money-market investments by sector and credit rating grade ranked to Moody's rating categories at December 31:

| EURm | Rating ⁽¹⁾ | Due within 3 months | Due between 3 and 12 months | Due between 1 and 3 years | Due between 3 and 5 years | Due beyond 5 years | Total ⁽²⁾ |
|--------------------|-----------------------|------------------------|--------------------------------|------------------------------|------------------------------|-----------------------|----------------------|
| 2015 | | | | | | | |
| Banks | Aaa | 3 269 | | | | | 3 269 |
| | Aa1-Aa3 | 93 | 94 | | | | 187 |
| | A1-A3 | 280 | 320 | | 100 | | 700 |
| | Baa1-Baa3 | 738 | 475 | 90 | | 50 | 1 353 |
| | Non-rated | 12 | | | | | 12 |
| Governments | Aaa | | 267 | 252 | 444 | 113 | 1 076 |
| | Aa1-Aa3 | | | 10 | 140 | | 150 |
| | A1-A3 | 309 | 198 | 257 | 50 | | 814 |
| | Baa1-Baa3 | 12 | | 23 | | | 35 |
| Other | Baa1-Baa3 | | | | 12 | | 12 |
| Total | | 4 713 | 1 354 | 632 | 746 | 163 | 7 608 |
| 2014 | | | | | | | |
| Banks | Aaa | 1 227 | | | | | 1 227 |
| | Aa1-Aa3 | 162 | | | | | 162 |
| | A1-A3 | 587 | | 330 | | | 917 |
| | Baa1-Baa3 | 332 | 325 | | | 1 | 658 |
| | Non-rated | 108 | | | | 2 | 110 |
| Governments | Aaa | 130 | 556 | 423 | 26 | 385 | 1 520 |
| | Aa1-Aa3 | 50 | | 421 | 25 | 88 | 584 |
| Other | Baa1-Baa3 | | | | | 11 | 11 |
| Total | | 2 596 | 881 | 1 174 | 51 | 487 | 5 189 |

(1) Bank Parent Company ratings are used here for bank groups. In some emerging markets countries, actual bank subsidiary ratings may differ from the Parent Company rating.

(2) Fixed-income and money-market investments include term deposits, structured deposits, investments in liquidity funds and investments in fixed income instruments classified as available-for-sale investments and investments at fair value through profit and loss. Liquidity funds invested solely in government securities are included under Governments. Other liquidity funds are included under Banks. Fixed-income and money-market investments include EUR 5 million of restricted investments (EUR 11 million in 2014). These are restricted financial assets under various contractual or legal obligations.

98% (98% in 2014) of the Group's cash at bank of EUR 2 242 million (EUR 2 527 million in 2014) is held with banks of investment grade credit rating.

Notes to consolidated financial statements continued

Financial assets and liabilities subject to offsetting under enforceable master netting agreements and similar arrangements at December 31:

| EURm | Gross amounts of financial assets/ (liabilities) | Gross amounts of financial liabilities/ (assets) set off in the statement of financial position | Net amounts of financial assets/ (liabilities) presented in the statement of financial position | Related amounts not set off in the statement of financial position | | Net amount |
|------------------------|--|---|---|--|------------------------------------|-------------|
| | | | | Financial instruments assets/(liabilities) | Cash collateral received/(pledged) | |
| 2015 | | | | | | |
| Derivative assets | 96 | – | 96 | 67 | 24 | 5 |
| Derivative liabilities | (114) | – | (114) | (65) | (34) | (15) |
| Total | (18) | – | (18) | 2 | (10) | (10) |
| 2014 | | | | | | |
| Derivative assets | 241 | – | 241 | 124 | 85 | 32 |
| Derivative liabilities | (174) | – | (174) | (124) | – | (50) |
| Total | 67 | – | 67 | – | 85 | (18) |

The financial instruments subject to enforceable master netting agreements and similar arrangements are not offset in the consolidated statement of financial position where there is no intention to settle net or realize the asset and settle the liability simultaneously.

Liquidity risk

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising from a shortage of liquid funds in a situation where outstanding debt needs to be refinanced or where business conditions unexpectedly deteriorate and require financing. Transactional liquidity risk is defined as the risk of executing a financial transaction below fair market value or not being able to execute the transaction at all within a specific period of time. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available fast enough without endangering its value in order to avoid uncertainty related to financial distress at all times.

The Group aims to secure sufficient liquidity at all times through efficient cash management and by investing in short-term liquid interest-bearing securities. Depending on its overall liquidity position, the Group may pre-finance or refinance upcoming debt maturities before contractual maturity dates. The transactional liquidity risk is minimized by entering into transactions where proper two-way quotes can be obtained from the market.

Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by maintaining committed and uncommitted credit lines. At December 31, 2015, the Group's committed revolving credit facilities totaled EUR 1 500 million (EUR 1 500 million in 2014).

Significant current long-term funding programs at December 31, 2015:

| Issuer: | Program: | Issued |
|-------------------|---|--------|
| Nokia Corporation | Euro Medium-Term Note Program, totaling EUR 5 000 million | – |

Significant current short-term funding programs at December 31, 2015:

| Issuer: | Program: | Issued |
|--|---|--------|
| Nokia Corporation | Local commercial paper program in Finland, totaling EUR 750 million | – |
| Nokia Corporation | US Commercial Paper program, totaling USD 4 000 million | – |
| Nokia Corporation and Nokia Finance International B.V. | Euro Commercial Paper program, totaling USD 4 000 million | – |
| Nokia Solutions and Networks Finance B.V. | Local commercial paper program in Finland, totaling EUR 500 million | – |

The composition of interest-bearing liabilities at December 31:

| EURm | Issuer/Borrower | Final Maturity | 2015 | 2014 |
|---|--|----------------|--------------|--------------|
| Revolving Credit Facility (EUR 1 500 million) ⁽¹⁾ | Nokia Corporation | June 2018 | – | – |
| USD Bond 2039 (USD 500 million 6.625%) | Nokia Corporation | May 2039 | 459 | 412 |
| USD Bond 2019 (USD 1 000 million 5.375%) | Nokia Corporation | May 2019 | 919 | 824 |
| EUR Bond 2019 (EUR 500 million 6.75%) | Nokia Corporation | February 2019 | 500 | 500 |
| EUR Convertible Bond 2017 (EUR 750 million 5%) ⁽²⁾ | Nokia Corporation | October 2017 | – | 750 |
| Differences between Bond nominal and carrying values ⁽³⁾ | Nokia Corporation | | 68 | 21 |
| Other liabilities ⁽⁴⁾ | Nokia Corporation and various subsidiaries | | 128 | 185 |
| Total | | | 2 074 | 2 692 |

(1) In 2015, the Group refinanced its undrawn EUR 1 500 million Revolving Credit Facility maturing in March 2016 with a new similar size facility maturing in June 2018. The new facility remains undrawn and has two one-year extension options and no financial covenants.

(2) In 2015, the Group exercised its option to redeem the EUR 750 million convertible bonds at their principal amount outstanding plus accrued interest. Virtually all bondholders elected to convert their convertible bonds into Nokia shares before redemption.

(3) Includes mainly fair value adjustments for bonds that are designated under fair value hedge accounting and in 2014 also the difference between convertible bond nominal value and carrying value of the financial liability component.

(4) Includes EUR 4 million (EUR 8 million in 2014) of non-interest bearing payables relating to cash held temporarily due to the divested businesses where Nokia Networks continues to perform services within a contractually defined scope for a specified timeframe.

Nokia Corporation is the issuer or borrower in all material borrowings. All of the borrowings are senior unsecured and have no financial covenants.

Notes to consolidated financial statements continued

The following table presents an undiscounted cash flow analysis for both financial liabilities and financial assets that are presented on the consolidated statement of financial position, and “off-balance sheet” instruments such as loan commitments, according to their remaining contractual maturity. The line-by-line analysis does not directly reconcile with the consolidated statement of financial position.

| EURm | Total | Due within 3 months | Due between 3 and 12 months | Due between 1 and 3 years | Due between 3 and 5 years | Due beyond 5 years |
|---|---------|------------------------|--------------------------------|------------------------------|------------------------------|-----------------------|
| 2015 | | | | | | |
| Non-current financial assets | | | | | | |
| Long-term loans receivable | 58 | – | 8 | 28 | 4 | 18 |
| Current financial assets | | | | | | |
| Current portion of long-term loans receivable | 20 | 2 | 18 | – | – | – |
| Short-term loans receivable | 2 | 2 | – | – | – | – |
| Investments at fair value through profit and loss | 742 | – | 256 | 265 | 57 | 164 |
| Available-for-sale investments, including cash equivalents ⁽¹⁾ | 6 938 | 4 714 | 1 105 | 403 | 663 | 53 |
| Bank and cash | 2 242 | 2 242 | – | – | – | – |
| Cash flows related to derivative financial assets net settled: | | | | | | |
| Derivative contracts—receipts | 51 | 18 | (7) | 22 | 18 | – |
| Cash flows related to derivative financial assets gross settled: | | | | | | |
| Derivative contracts—receipts | 4 203 | 3 441 | 221 | 42 | 295 | 204 |
| Derivative contracts—payments | (4 078) | (3 431) | (209) | (23) | (277) | (138) |
| Accounts receivable ⁽²⁾ | 2 628 | 2 014 | 586 | 25 | 3 | – |
| Non-current financial liabilities | | | | | | |
| Long-term interest-bearing liabilities | (3 070) | (34) | (84) | (244) | (1 549) | (1 159) |
| Current financial liabilities | | | | | | |
| Current portion of long-term interest-bearing liabilities | (2) | – | (2) | – | – | – |
| Short-term borrowings | (50) | (50) | – | – | – | – |
| Cash flows related to derivative financial liabilities net settled: | | | | | | |
| Derivative contracts—payments | (78) | – | (5) | (8) | (6) | (59) |
| Cash flows related to derivative financial liabilities gross settled: | | | | | | |
| Derivative contracts—receipts | 4 901 | 3 114 | 760 | 318 | 709 | – |
| Derivative contracts—payments | (4 924) | (3 162) | (753) | (302) | (707) | – |
| Accounts payable | (1 910) | (1 835) | (75) | – | – | – |
| Contingent financial assets and liabilities | | | | | | |
| Loan commitments given undrawn ⁽³⁾ | (180) | (17) | (39) | (124) | – | – |
| Loan commitments obtained undrawn ⁽⁴⁾ | 1 487 | (1) | (4) | 1 492 | – | – |

(1) Instruments that include a call feature have been presented at their final maturities.

(2) Accounts receivable maturity analysis does not include accrued receivables of EUR 1 285 million (EUR 703 million in 2014).

(3) Loan commitments given undrawn have been included in the earliest period in which they could be drawn or called.

(4) Loan commitments obtained undrawn have been included based on the period in which they expire. These amounts include related commitment fees.

| EURm | Total | Due within 3 months | Due between 3 and 12 months | Due between 1 and 3 years | Due between 3 and 5 years | Due beyond 5 years |
|---|---------|------------------------|--------------------------------|------------------------------|------------------------------|-----------------------|
| 2014 | | | | | | |
| Non-current financial assets | | | | | | |
| Long-term loans receivable | 38 | – | – | 22 | – | 16 |
| Current financial assets | | | | | | |
| Current portion of long-term loans receivable | 2 | 1 | 1 | – | – | – |
| Short-term loans receivable | 24 | 24 | – | – | – | – |
| Investments at fair value through profit and loss | 501 | 1 | 5 | 261 | 10 | 224 |
| Available-for-sale investments, including cash equivalents ⁽¹⁾ | 4 806 | 2 609 | 904 | 926 | 68 | 299 |
| Bank and cash | 2 527 | 2 527 | – | – | – | – |
| Cash flows related to derivative financial assets net settled: | | | | | | |
| Derivative contract—receipts | 127 | 17 | (4) | 27 | 34 | 53 |
| Cash flows related to derivative financial assets gross settled: | | | | | | |
| Derivative contracts—receipts | 4 982 | 4 439 | 54 | 44 | 445 | – |
| Derivative contracts—payments | (4 800) | (4 355) | (38) | (17) | (390) | – |
| Accounts receivable ⁽²⁾ | 2 727 | 2 135 | 592 | – | – | – |
| Non-current financial liabilities | | | | | | |
| Long-term interest-bearing liabilities | (3 786) | (34) | (113) | (1 044) | (1 520) | (1 075) |
| Current financial liabilities | | | | | | |
| Current portion of long-term interest-bearing liabilities | – | – | – | – | – | – |
| Short-term borrowings | (115) | (113) | (2) | – | – | – |
| Cash flows related to derivative financial liabilities net settled: | | | | | | |
| Derivative contracts—payments | (101) | – | (4) | (8) | (8) | (81) |
| Cash flows related to derivative financial liabilities gross settled: | | | | | | |
| Derivative contracts—receipts | 5 065 | 5 065 | – | – | – | – |
| Derivative contracts—payments | (5 203) | (5 203) | – | – | – | – |
| Accounts payable | (2 313) | (2 212) | (101) | – | – | – |
| Contingent financial assets and liabilities | | | | | | |
| Loan commitments given undrawn ⁽³⁾ | (155) | (8) | (49) | (68) | (30) | – |
| Loan commitments obtained undrawn ⁽⁴⁾ | 1 493 | (1) | (2) | 1 496 | – | – |

(1) Instruments that include a call feature have been presented at their final maturities.

(2) Accounts receivable maturity analysis does not include accrued receivables of EUR 1 285 million (EUR 703 million in 2014).

(3) Loan commitments given undrawn have been included in the earliest period in which they could be drawn or called.

(4) Loan commitments obtained undrawn have been included based on the period in which they expire. These amounts include related commitment fees.

36. Subsequent events

Adjusting events after the reporting period

Decision on patent licensing arbitration

On February 1, 2016 the Group announced it had received the decision on patent licensing arbitration with Samsung. The award covers five years from January 1, 2014 until December 31, 2018. The outcome of the arbitration is reflected in the 2015 financial statements as far as it relates to the years presented.

Non-adjusting events after the reporting period

Acquisition of Alcatel Lucent

On April 15, 2015, the Group and Alcatel Lucent announced their intention to combine through a public exchange offer ("exchange offer") in France and the United States. Alcatel Lucent is a global leader in IP networking, ultra-broadband access and Cloud applications. The combined company will leverage the combined scale of operations, complementary technologies, portfolios and geographical presence; and unparalleled innovation capabilities to lead in the next generation network technology and services and to create access to an expanded addressable market with improved long-term growth opportunities.

Exchange offers

As part of the exchange offers, holders of Alcatel Lucent ordinary shares, Alcatel Lucent American Depositary Shares ("ALU ADS") and OCEANE convertible bonds (collectively "Alcatel Lucent Securities") can exchange their Alcatel Lucent Securities for Nokia shares and Nokia American Depositary Shares ("Nokia ADS") on the basis of 0.55 Nokia share or Nokia ADS for every Alcatel Lucent share or ALU ADS.

The Group obtained control of Alcatel Lucent on January 4, 2016 when the interim results of the successful initial exchange offer were announced by the French stock market authority, Autorité des Marchés Financiers ("AMF"). As part of the initial exchange offer, the Group acquired 76.31% of the share capital and at least 76.01% of the voting rights of Alcatel Lucent, 89.14% of the OCEANES 2018, 24.34% of the OCEANES 2019 and 15.11% of the OCEANES 2020. On January 7, 2016, the Group issued a total of 1 455 678 563 new Nokia shares as consideration for the Alcatel Lucent Securities tendered in the initial public exchange offer.

On January 14, 2016, as required by the AMF general regulation, the Group reopened its exchange offer in France and the United States, based on the same terms and conditions as the initial exchange offer, for the outstanding Alcatel Lucent Securities not tendered during the initial exchange offer period. Following the initial and reopened exchange offer, the Group holds 90.34% of the share capital and at least 90.25% of the voting rights of Alcatel Lucent. The Group holds 99.62% of the OCEANES 2018, 37.18% of the OCEANES 2019 and 68.17% of the OCEANES 2020. On February 12, 2016 the Group issued a total of 320 701 193 new Nokia shares as consideration for the Alcatel Lucent Securities tendered in the reopened exchange offer.

Following the initial and reopened exchange offers, the total number of Parent Company shares outstanding is 5 769 443 837 shares. Assuming the conversion of all remaining outstanding Alcatel Lucent Securities into Nokia shares and Nokia ADSs at the exchange ratio offered in the initial and reopened exchange offers, the total number of Nokia shares outstanding would equal approximately 6 billion shares.

Alcatel Lucent announced on February 11, 2016 that its Board of Directors has resolved to voluntarily delist ALU ADS from the New York Stock Exchange. On March 17, 2016 the Group announced that will issue a maximum of 72 842 811 new shares in deviation from shareholders' pre-emptive rights based on a resolution by the Board of Directors pursuant to the authorization granted by the Extraordinary General Meeting held on December 2, 2015 to be paid by contribution in kind with the Alcatel Lucent shares purchased from the JPMorgan Chase Bank, N.A., as depositary in the ALU ADS program.

The Group is assessing alternatives to obtain at least 95% of the share capital and voting rights of Alcatel Lucent. With 95% of the share capital and voting rights, the Group can, in accordance with applicable law and following a buy-out offer, squeeze-out the remaining Alcatel Lucent Equity Securities, enabling the Group to obtain 100% of the share capital and voting rights of Alcatel Lucent.

In accordance with the terms of the OCEANES and subject to applicable law, the Group reserves the right to cause Alcatel Lucent to redeem for cash at par value plus, as applicable, accrued interest, any series of the OCEANES if less than 15% of the issued OCEANES of any series remain outstanding at any time.

The Group has determined that the initial and the reopened exchange offers are linked transactions that are to be considered together as a single arrangement given that the reopened exchange offer is required by AMF general regulation and is based on the same terms and conditions as the initial exchange offer.

Alcatel Lucent Equity Securities that may be acquired by the Group in the future (including through the squeeze-out) will be accounted for as equity transactions with the remaining non-controlling interests in Alcatel Lucent. As such, any new Nokia shares or cash consideration paid to obtain the additional Alcatel Lucent Equity Securities will be recorded directly within equity against the carrying amount of non-controlling interests.

Purchase consideration

The purchase consideration comprises the fair value of Alcatel Lucent Equity Securities obtained through the initial and reopened exchange offers, and the fair value of the portion of Alcatel Lucent stock options and performance shares attributable to pre-combination services that will be settled with Nokia shares. The fair value of the purchase consideration is based on the closing price of Nokia share of EUR 6.58 on Nasdaq Helsinki on January 4, 2016, and the exchange offer ratio of 0.55 Nokia share for every Alcatel Lucent share.

Preliminary estimate of the fair value of the purchase consideration:

| | EURm |
|--|---------------|
| Alcatel Lucent shares or ADSs | 10 046 |
| OCEANE convertible bonds | 1 570 |
| Consideration attributable to the vested portion of replacement share-based payment awards | 6 |
| Preliminary purchase consideration | 11 622 |

Purchase accounting

Following the public announcement of the results of the initial exchange offer on January 4, 2016 and the mandatory reopened exchange offer on February 10, 2016, purchase accounting of the Alcatel Lucent acquisition was started, including the preparation of a purchase price allocation. As of the date of authorization for issuance of these financial statements, given the size and complexity of the acquired business and the concurrent preparation of the required 2015 annual filings for Alcatel Lucent, the provisional purchase price allocation is incomplete. Accordingly, the amounts which will be recognized for each major class of assets acquired and liabilities assumed, and the resulting non-controlling interest and goodwill to be recognized, have not yet been estimated on a preliminary basis and are not presented.

Acquisition-related costs of EUR 32 million that were not directly attributable to the issue of shares are included in other expenses in the consolidated income statement and in operating cash flows in the consolidated statement of cash flows for the year ended December 31, 2015.

Nokia Growth Partners raises USD 350 million investment fund for investments in Internet of Things

On February 21, 2016, Nokia Growth Partners announced the closing of a new USD 350 million fund for investments in Internet of Things (IoT) companies. The fund is sponsored by Nokia and will serve to identify new opportunities to grow the ecosystem in IoT solutions. The fund IV commitment brings NGP's total assets under management to over USD 1 billion, including USD 500 million available for new investments.

Parent Company income statement

| For the year ended December 31 | Notes | 2015 EURm | 2014 EURm |
|--|-------|--------------|----------------|
| Net sales | 2 | 949 | 3 141 |
| Cost of sales | 3, 4 | (8) | (2 569) |
| Gross profit | | 941 | 572 |
| Research and development expenses | 3, 4 | – | (538) |
| Selling, general and administrative expenses | 3, 4 | (183) | (437) |
| Other income | 6 | 27 | 27 |
| Other expenses | 7 | (20) | (80) |
| Operating profit/(loss) | | 765 | (456) |
| Financial income and expenses | | | |
| Income from long-term investments | 8 | 42 | 2 176 |
| Interest and other financial income | 8 | 33 | 9 |
| Foreign exchange losses, net | | (249) | (202) |
| Impairment on investments in subsidiaries and other shares | | (24) | (3 812) |
| Interest and other financial expenses | 8 | (166) | (145) |
| Total financial income and expenses | | (364) | (1 974) |
| Profit/(loss) before extraordinary items and tax | | 401 | (2 430) |
| Extraordinary items | | | |
| Group contributions | 9 | 82 | (728) |
| Gain from sale of shares and businesses | | 695 | 8 483 |
| Total extraordinary items | | 777 | 7 755 |
| Profit before tax | | 1 178 | 5 325 |
| Income tax (expense)/benefit | 10 | (91) | 58 |
| Profit for the year | | 1 087 | 5 383 |

The notes are an integral part of these financial statements.

Parent Company statement of financial position

| At December 31 | Notes | 2015 EURm | 2014 EURm |
|--|-------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Intangible rights | 12 | 3 | 3 |
| | | 3 | 3 |
| Property, plant and equipment | | | |
| Land and water areas | 13 | 8 | 8 |
| Buildings | 13 | 98 | 87 |
| Machinery and equipment | 13 | 3 | 6 |
| Other tangible assets | 13 | 15 | – |
| Advance payments and assets under construction | 13 | 1 | 2 |
| | | 125 | 103 |
| Investments | | | |
| Investments in subsidiaries | 14 | 6 292 | 10 151 |
| Investments in associated companies | 14 | 3 | 3 |
| Available-for-sale investments | 14 | 132 | 105 |
| | | 6 427 | 10 259 |
| Other non-current receivables | | 84 | 156 |
| Deferred tax assets | 11 | 138 | 191 |
| Total non-current assets | | 6 777 | 10 712 |
| Current assets | | | |
| Deferred tax assets | 11 | 25 | 22 |
| Accounts receivable from Group companies | 19 | 252 | 150 |
| Accounts receivable from other companies | 19 | 478 | 116 |
| Current loans receivable from Group companies | 19 | 4 541 | 3 986 |
| Other financial assets from Group companies | 19 | 12 | 168 |
| Other financial assets from other companies | 19 | 96 | – |
| Prepaid expenses and accrued income from Group companies | 15 | 4 | – |
| Prepaid expenses and accrued income from other companies | 15 | 177 | 118 |
| Short-term investments | 19 | 2 813 | 2 |
| Cash and cash equivalents | 19 | 6 033 | 347 |
| Total current assets | | 14 431 | 4 909 |
| Total assets | | 21 208 | 15 621 |

The notes are an integral part of these financial statements.

Parent Company statement of financial position continued

| At December 31 | Notes | 2015 EURm | 2014 EURm |
|--|--------|---------------|---------------|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 16 | 246 | 246 |
| Share issue premium | 16 | 46 | 46 |
| Treasury shares at cost | 16, 17 | (711) | (988) |
| Fair value and other reserves | 16, 18 | 25 | 11 |
| Reserve for invested non-restricted equity | 16, 17 | 3 805 | 3 067 |
| Retained earnings | 16, 17 | 5 275 | 826 |
| Profit for the year | 16, 17 | 1 087 | 5 383 |
| Total equity | | 9 773 | 8 591 |
| Provisions | 21 | 119 | 108 |
| Non-current liabilities | | | |
| Long-term interest-bearing liabilities | 22 | 1 946 | 2 841 |
| Advance payments from other companies | | 1 234 | 1 573 |
| Total non-current liabilities | | 3 180 | 4 414 |
| Current liabilities | | | |
| Current interest-bearing liabilities to Group companies | 19 | 6 937 | 939 |
| Current interest-bearing liabilities to other companies | 19 | 30 | – |
| Current liabilities to Group companies | 19 | 270 | 728 |
| Other financial liabilities to Group companies | 19 | 16 | 63 |
| Other financial liabilities to other companies | 19 | 111 | – |
| Advance payments from other companies | | 348 | 392 |
| Accounts payable to Group companies | 19 | 201 | 216 |
| Accounts payable to other companies | 19 | 45 | 16 |
| Accrued expenses and deferred revenue to Group companies | 23 | 13 | 41 |
| Accrued expenses and deferred revenue to other companies | 23 | 165 | 113 |
| Total current liabilities | | 8 136 | 2 508 |
| Total liabilities | | 11 435 | 7 030 |
| Total shareholders' equity and liabilities | | 21 208 | 15 621 |

The notes are an integral part of these financial statements.

Parent Company statement of cash flows

| For the year ended December 31 | Notes | 2015 EURm | 2014 EURm |
|---|-------|--------------|----------------|
| Cash flow from operating activities | | | |
| Profit for the year | | 1 087 | 5 383 |
| Adjustments, total | 27 | (347) | (5 063) |
| Change in net working capital | 27 | (819) | 832 |
| Cash (used in)/from operations | | (79) | 1 152 |
| Interest received | | 33 | 9 |
| Interest paid | | (115) | (185) |
| Other financial income and expenses, net paid | | (198) | (58) |
| Income taxes, net paid | | (21) | (188) |
| Net cash (used in)/from operating activities | | (380) | 730 |
| Cash flow from investing activities | | | |
| Purchases of shares in subsidiary companies and available-for-sale investments | | (15) | (2 723) |
| Purchases of property, plant and equipment and intangible assets | | (34) | (10) |
| Proceeds from disposal of shares and business | | 2 601 | 6 985 |
| Proceeds from sale of property, plant and equipment and other intangible assets | | 8 | 23 |
| Proceeds from other long-term receivables | | – | 7 |
| Proceeds from/(payment of) short-term receivables | | 1 705 | (2 224) |
| Dividends received and other proceeds from Group companies | | 154 | 783 |
| Purchase of short-term investments, liquid assets | | (4 861) | – |
| Proceeds from short-term investments, liquid assets | | 2 098 | 2 |
| Net cash from investing activities | | 1 656 | 2 843 |
| Cash flow from financing activities | | | |
| Purchase of treasury shares | | (173) | (427) |
| Stock option exercise | | 4 | – |
| Proceeds from short-term borrowings | | 6 087 | 201 |
| Repayments of long-term borrowings | | (273) | (1 729) |
| Dividends paid | | (507) | (1 374) |
| Support to the Foundation of Nokia Corporation | | – | (3) |
| Group contributions | | (728) | 75 |
| Net cash from/(used in) financing activities | | 4 410 | (3 257) |
| Net increase in cash and cash equivalents | | 5 686 | 316 |
| Cash and cash equivalents at beginning of year | | 347 | 31 |
| Cash and cash equivalents at end of year | | 6 033 | 347 |

The notes are an integral part of these financial statements.

Notes to Parent Company financial statements

1. Accounting principles

Basis of presentation

The Parent Company financial statements are prepared in accordance with the Finnish Accounting Standards ("FAS").

In 2015, the financial position of the Parent Company changed due to internal restructuring of the treasury activities, whereby all derivative contracts and investments executed previously by certain subsidiaries were transferred to the Parent Company. Going forward, most significant external derivative contracts and investments are executed through the Parent Company.

On December 4, 2015 the Parent Company sold the shares of subsidiaries in HERE Business to a consortium of leading automotive companies, comprising AUDI AG, BMW Group and Daimler AG.

On January 1, 2014 Nokia Asset Management Oy, formerly a fully owned entity of the Parent Company, was merged into the Parent Company. In 2014, substantially all of the Devices & Services business was sold to Microsoft. This is referred to as "the Sale of the D&S Business". The transaction was completed on April 25, 2014. On December 31, 2014 the Parent Company sold certain assets and liabilities related to the Nokia Technologies business to a newly formed, fully owned entity, Nokia Technologies Oy. These transactions make up the Extraordinary items in the income statement.

In 2015, comparative presentation of certain items in the Parent Company financial statements has been modified to conform with current year presentation.

Revenue recognition

Revenue is recognized when the following criteria for the transaction have been met: significant risks and rewards of ownership have transferred to the buyer; continuing managerial involvement and effective control usually associated with ownership have ceased; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Net sales includes revenue from all licensing negotiations, litigations and arbitrations to the extent that the criteria for revenue recognition have been met.

Research and development costs

Research and development costs are expensed as they are incurred.

Foreign currency translation

Receivables and payables denominated in foreign currencies are converted into euro using the exchange rate prevailing on the statement of financial position date.

Pensions

Contributions to pension plans are expensed in the income statements in the period to which the contributions relate.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are stated at cost less accumulated depreciation according to plan. Depreciation according to plan is recorded on a straight-line basis over the expected useful lives of the assets as follows:

| | |
|-------------------------|-------------|
| Intangible assets | 3–7 years |
| Buildings | 20–33 years |
| Machinery and equipment | 1–10 years |

Land and water areas are not depreciated. The accumulated depreciation according to plan and the change in the depreciation reserve comply with the Finnish Business Tax Act. The change in the depreciation reserve has been treated as appropriations.

Investments

Investments in subsidiaries are stated at cost less accumulated impairment. Majority of non-current available-for-sale investments are carried at cost less accumulated impairment. Available-for-sale investments are technology-related investments in private equity shares and unlisted funds for which fair value cannot be measured reliably due to non-existent public markets or reliable valuation methods.

Loans receivable

Loans receivable may include loans to customers, suppliers and subsidiaries. Loans receivable are measured initially at fair value and subsequently at amortized cost less impairment using the effective interest method. Loans are subject to regular review as to their collectability and available collateral. An allowance is made if a loan is deemed not to be fully recoverable. The related cost is recognized in other expenses or financial expenses, depending on the nature of the receivable to reflect the shortfall between the carrying amount and the present value of the expected future cash flows. Interest income on loans receivable is recognized in other income or financial income by applying the effective interest rate.

Short-term investments

Short-term investments primarily consist of highly liquid, fixed-income and money-market investments that are readily convertible to known amounts of cash with maturities at acquisition of longer than three months.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and available-for-sale investments, cash equivalents. Available-for-sale investments, cash equivalents consist of highly liquid, fixed-income and money-market investments that are readily convertible to known amounts of cash with maturities at acquisition of three months or less, as well as bank deposits with maturities or contractual call periods at acquisition of three months or less. Due to the high credit quality and short-term nature of these investments, there is an insignificant risk of change in value.

Accounts receivable

Accounts receivable include both amounts invoiced to customers and amounts where the Parent Company's revenue recognition criteria have been fulfilled but the customers have not yet been invoiced. Accounts receivable are carried at the original amount invoiced to customers less allowances for doubtful accounts. Allowances for doubtful accounts are based on a periodic review of all outstanding amounts, including an analysis of historical bad debt, customer concentrations, customer creditworthiness, past due amounts, current economic trends and changes in customer payment terms. Impairment charges on receivables identified as uncollectible are included in other operating expenses. The Parent Company derecognizes an accounts receivable balance only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of the asset to another entity.

Loans payable

Loans payable are recognized initially at fair value net of transaction costs. In subsequent periods, loans payable are presented at amortized cost using the effective interest method. Transaction costs and loan interest are recognized in the income statement as financial expenses over the life of the instrument.

Accounts payable

Accounts payable are carried at invoiced amount which is considered to be the fair value due to the short-term nature of the Parent Company's accounts payable.

Derivative financial instruments

Interest income or expense on interest rate derivatives is accrued in the income statement during the financial year. In the financial statements, outstanding interest rate forward contracts, interest rate future contracts, interest rate option contracts and interest rate swap contracts are stated at market values and included in the income statement.

Forward foreign exchange contracts are valued using the forward exchange rate of the statement of financial position date. The exchange differences arising from outstanding derivative contracts are reported in financial items. Foreign exchange option contracts are valued using an option valuation model on the statement of financial position date and reported in financial items.

Fair values of forward rate agreements, interest rate options, futures contracts and exchange traded options are calculated based on quoted market rates at each statement of financial position date. Discounted cash flow analyses are used to value interest rate and cross-currency interest rate swaps.

Hedge accounting

The Group applies hedge accounting on certain forward foreign exchange contracts, certain options or option strategies, and certain interest rate derivatives.

Fair value hedges

The Group applies fair value hedge accounting to reduce exposure to fair value fluctuations of interest-bearing liabilities due to changes in interest rates and foreign exchange rates. Changes in the fair value of derivatives designated and qualifying as fair value hedges, together with any changes in the fair value of hedged liabilities attributable to the hedged risk, are recognized in financial income and expenses. If the hedged item no longer meets the criteria for hedge accounting, hedge accounting ceases and any fair value adjustments made to the carrying amount of the hedged item while the hedge was effective are recognized in financial income and expenses based on the effective interest method.

Deferred tax

Deferred tax liabilities and deferred tax assets are calculated for temporary differences between book values and tax bases using an enacted or substantively enacted tax rate at each statement of financial position date that are expected to apply in the period when the asset is realized or the liability is settled. Non-current and current deferred tax liabilities and deferred tax assets are presented separately on balance sheet. Deferred tax assets are recognized at the probable amount estimated to be received. Deferred tax assets and deferred tax liabilities are offset for presentation purposes, because a company has a legally enforceable right to set off current tax assets against current tax liabilities.

Notes to Parent Company financial statements continued

2. Net sales by segment

| EURm | 2015 | 2014 |
|--------------------|------------|--------------|
| Nokia Technologies | 949 | 572 |
| Devices & Services | – | 2 569 |
| Total | 949 | 3 141 |

3. Personnel expenses

| EURm | 2015 | 2014 |
|-----------------------------|-----------|------------|
| Salaries and wages | 37 | 175 |
| Share-based payment expense | 16 | 49 |
| Pension expense | 2 | 23 |
| Other social expenses | 2 | 6 |
| Total | 57 | 253 |

| Average number of employees | 2015 | 2014 |
|-----------------------------|------------|--------------|
| Production | – | 63 |
| Marketing | 61 | 176 |
| Research and development | – | 1 098 |
| Administration | 183 | 505 |
| Total average | 244 | 1 842 |
| At December 31 | 280 | 534 |

Management compensation

Refer to Note 34, Related party transactions of the consolidated financial statements.

4. Depreciation and amortization by function

| EURm | 2015 | 2014 |
|--|----------|----------|
| Research and development expenses | – | 3 |
| Selling, general and administrative expenses | 7 | 5 |
| Total | 7 | 8 |

5. Auditor's fees

| EURm | 2015 | 2014 |
|-------------------------------|----------|----------|
| Audit of financial statements | 4 | 4 |
| Total | 4 | 4 |

6. Other income

| EURm | 2015 | 2014 |
|---|-----------|-----------|
| Income from disposal of property, plant and equipment | 7 | 12 |
| Compensation for litigation costs | 6 | – |
| Rental income | 2 | 2 |
| Other miscellaneous income | 12 | 13 |
| Total | 27 | 27 |

7. Other expenses

| EURm | 2015 | 2014 |
|--|-------------|-------------|
| Impairment of shares and loans receivable from other investments | – | (44) |
| Losses on onerous contracts | – | (16) |
| Restructuring charges | – | 10 |
| Other miscellaneous expenses | (20) | (30) |
| Total | (20) | (80) |

8. Financial income and expenses

| EURm | 2015 | 2014 |
|--|--------------|--------------|
| Income from long-term investments | | |
| Dividend income from Group companies | 42 | 2 183 |
| Dividend income from other companies | – | (7) |
| Total | 42 | 2 176 |
| Interest and other financial income | | |
| Interest income from Group companies | 14 | 8 |
| Interest income from other companies | 9 | 1 |
| Other financial income from other companies | 10 | – |
| Total | 33 | 9 |
| Interest and other financial expenses⁽¹⁾ | | |
| Interest expenses to Group companies | (11) | 28 |
| Interest expenses to other companies | (113) | (145) |
| Other financial expenses | (42) | (28) |
| Total | (166) | (145) |

(1) Includes EUR 13 million expense for derivative financial instruments designated in hedge accounting relationships (EUR 17 million income primarily from Group companies in 2014) and EUR 2 million expense for liabilities under fair value hedge accounting (EUR 18 million expense in 2014).

9. Group contributions

| EURm | 2015 | 2014 |
|--------------|-----------|--------------|
| Granted | (270) | (728) |
| Received | 352 | – |
| Total | 82 | (728) |

10. Income tax

| EURm | 2015 | 2014 |
|---|-------------|-----------|
| Current tax | (48) | (149) |
| Deferred tax | (43) | 207 |
| Total | (91) | 58 |
| Income tax from operations | (76) | 1 127 |
| Income tax from extraordinary items | (16) | (1 083) |
| Income tax relating to previous financial years | 1 | 14 |
| Total | (91) | 58 |

Notes to Parent Company financial statements continued

11. Deferred taxes

| EURm | 2015 | 2014 |
|---------------------------------|------------|------------|
| Non-current deferred tax assets | 138 | 191 |
| Current deferred tax assets | 25 | 22 |
| Total | 163 | 213 |

| | 2015 | | 2014 | |
|--|---------------------|--------------------------|---------------------|--------------------------|
| EURm | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Total before netting | 171 | (8) | 213 | – |
| Reclassification due to netting of deferred tax assets and liabilities | (8) | 8 | – | – |
| Total after netting | 163 | – | 213 | – |

12. Intangible assets

| EURm | Intangible rights | Other intangible assets | Total |
|--|-------------------|-------------------------|------------|
| Acquisition cost at January 1, 2014 | 157 | 751 | 908 |
| Additions | 2 | – | 2 |
| Additions through merger | 7 | – | 7 |
| Impairment charges | (24) | (58) | (82) |
| Disposals and retirements | (137) | (693) | (830) |
| Accumulated cost at December 31, 2014 | 5 | – | 5 |
| Accumulated amortization at January 1, 2014 | (150) | (701) | (851) |
| Additions through merger | (1) | – | (1) |
| Impairment charges | 24 | 58 | 82 |
| Disposals and retirements | 128 | 645 | 773 |
| Amortization | (3) | (2) | (5) |
| Accumulated amortization at December 31, 2014 | (2) | – | (2) |
| Net book value at January 1, 2014 | 7 | 50 | 57 |
| Net book value at December 31, 2014 | 3 | – | 3 |
| Acquisition cost at January 1, 2015 | 5 | – | 5 |
| Accumulated cost at December 31, 2015 | 5 | – | 5 |
| Accumulated amortization at January 1, 2015 | (2) | – | (2) |
| Accumulated amortization at December 31, 2015 | (2) | – | (2) |
| Net book value at January 1, 2015 | 3 | – | 3 |
| Net book value at December 31, 2015 | 3 | – | 3 |

13. Property, plant and equipment

| EURm | Land and water areas | Buildings | Machinery and equipment | Other tangible assets | Advance payments and assets under construction | Total |
|--|----------------------|-------------|-------------------------|-----------------------|--|-------------|
| Acquisition cost at January 1, 2014 | | | | | | |
| Additions | – | – | 2 | 1 | 2 | 5 |
| Additions through merger | 9 | 177 | 40 | 2 | – | 228 |
| Impairment charges | – | – | (1) | – | – | (1) |
| Disposals and retirements | (1) | (34) | (18) | (2) | – | (55) |
| Acquisition cost at December 31, 2014 | 8 | 143 | 23 | 1 | 2 | 177 |
| Accumulated depreciation at January 1, 2014 | – | – | – | (1) | – | (1) |
| Additions through merger | – | (82) | (33) | (1) | – | (116) |
| Impairment charges | – | – | 1 | – | – | 1 |
| Disposals and retirements | – | 28 | 16 | 1 | – | 45 |
| Depreciation | – | (2) | (1) | – | – | (3) |
| Accumulated depreciation at December 31, 2014 | – | (56) | (17) | (1) | – | (74) |
| Net book value at January 1, 2014 | – | – | – | – | – | – |
| Net book value at December 31, 2014 | 8 | 87 | 6 | – | 2 | 103 |
| Acquisition cost at January 1, 2015 | 8 | 143 | 23 | 1 | 2 | 177 |
| Additions | – | 3 | – | 15 | 16 | 34 |
| Disposals and retirements | – | (1) | (2) | (1) | (3) | (7) |
| Reclassifications | – | 14 | – | – | (14) | – |
| Acquisition cost at December 31, 2015 | 8 | 159 | 21 | 15 | 1 | 204 |
| Accumulated depreciation at January 1, 2015 | – | (56) | (17) | (1) | – | (74) |
| Disposals and retirements | – | – | 1 | 1 | – | 2 |
| Depreciation | – | (5) | (2) | – | – | (7) |
| Accumulated depreciation at December 31, 2015 | – | (61) | (18) | – | – | (79) |
| Net book value at January 1, 2015 | 8 | 87 | 6 | – | 2 | 103 |
| Net book value at December 31, 2015 | 8 | 98 | 3 | 15 | 1 | 125 |

Notes to Parent Company financial statements continued

14. Investments

| EURm | 2015 | 2014 |
|---|--------------|---------------|
| Investments in subsidiaries | | |
| Net carrying amount at January 1 | 10 151 | 10 625 |
| Additions ⁽¹⁾ | – | 4 970 |
| Impairment ⁽²⁾ | (24) | (3 800) |
| Disposals ⁽³⁾ | (3 835) | (1 644) |
| Net carrying amount at December 31 | 6 292 | 10 151 |
| Investments in associated companies | | |
| Net carrying amount at January 1 and December 31 | 3 | 3 |
| Available-for-sale investments | | |
| Net carrying amount at January 1 | 105 | 108 |
| Additions | 16 | 15 |
| Impairment | – | (12) |
| Other changes | 12 | – |
| Disposals | (1) | (6) |
| Net carrying amount at December 31 | 132 | 105 |

(1) In 2014, related to the formation of Nokia Technologies Oy.

(2) In 2014, the carrying values of shareholdings in subsidiaries were reviewed resulting in impairment charges in Nokia Inc. and the HERE business.

(3) In 2015, relates to the Sale of the HERE Business. In 2014, relates to the Sale of the D&S Business.

Investments in associated companies

| Associated company | Ownership % | Carrying amount EURk |
|--|-------------|----------------------|
| Sapura-Nokia Telecommunication Sdn Bhd | 40% | 1 242 |
| Noksel A.S | 20% | 986 |
| Sapura Nokia Software Sdn Bhd | 50% | 375 |

15. Prepaid expenses and accrued income

| EURm | 2015 | 2014 |
|---|------------|------------|
| Divestment-related receivables ⁽¹⁾ | 135 | – |
| Current tax asset | 15 | 3 |
| Accrued interest | 13 | 1 |
| Prepaid and accrued royalty income | 12 | 55 |
| Other | 6 | 59 |
| Total | 181 | 118 |

(1) Reclassified from other non-current receivables. Relates mainly to the Sale of the D&S Business.

16. Shareholders' equity

| EURm | Share capital | Share issue premium | Treasury shares | Fair value and other reserves | Reserve for invested non-restricted equity | Retained earnings | Total |
|---|---------------|---------------------|-----------------|-------------------------------|--|-------------------|--------------|
| At January 1, 2014 | 246 | 46 | (608) | (19) | 3 099 | 2 204 | 4 968 |
| Settlement of performance and restricted shares | – | – | 47 | – | (32) | – | 15 |
| Acquisition of treasury shares | – | – | (427) | – | – | – | (427) |
| Fair value reserve, increase | – | – | – | 30 | – | – | 30 |
| Dividends | – | – | – | – | – | (1 374) | (1 374) |
| Other movements | – | – | – | – | – | (4) | (4) |
| Profit for the year | – | – | – | – | – | 5 383 | 5 383 |
| At December 31, 2014 | 246 | 46 | (988) | 11 | 3 067 | 6 209 | 8 591 |
| Settlement of performance and restricted shares | – | – | 23 | – | (16) | – | 7 |
| Stock options exercise | – | – | – | – | 4 | – | 4 |
| Acquisition of treasury shares | – | – | (173) | – | – | – | (173) |
| Cancellation of treasury shares | – | – | 427 | – | – | (427) | – |
| Convertible bond conversion | – | – | – | – | 750 | – | 750 |
| Fair value reserve, increase | – | – | – | 14 | – | – | 14 |
| Dividends | – | – | – | – | – | (507) | (507) |
| Profit for the year | – | – | – | – | – | 1 087 | 1 087 |
| At December 31, 2015 | 246 | 46 | (711) | 25 | 3 805 | 6 362 | 9 773 |

Notes to Parent Company financial statements continued

17. Distributable earnings

| EURm | 2015 | 2014 |
|--|---------------|--------------|
| Reserve for invested non-restricted equity | 3 805 | 3 067 |
| Retained earnings | 5 275 | 826 |
| Profit for the year | 1 087 | 5 383 |
| Total retained earnings | 10 167 | 9 276 |
| Treasury shares at cost | (711) | (988) |
| Total | 9 456 | 8 288 |

18. Fair value and other reserves

| EURm | Hedging reserve | | | Available-for-sale investments | | | Total | | |
|---|-----------------|------------|-------------|--------------------------------|------------|------------|-------------|------------|-------------|
| | Gross | Tax | Net | Gross | Tax | Net | Gross | Tax | Net |
| At January 1, 2014 | (17) | – | (17) | (2) | – | (2) | (19) | – | (19) |
| Cash flow hedges: | | | | | | | | | |
| Net fair value gains | 3 | – | 3 | – | – | – | 3 | – | 3 |
| Transfer of gains to income statement as adjustment to net sales | (2) | – | (2) | – | – | – | (2) | – | (2) |
| Transfer of losses to income statement as adjustment to cost of sales | 18 | – | 18 | – | – | – | 18 | – | 18 |
| Available-for-sale investments: | | | | | | | | | |
| Net fair value gains | – | – | – | 11 | – | 11 | 11 | – | 11 |
| At December 31, 2014 | 2 | – | 2 | 9 | – | 9 | 11 | – | 11 |
| Cash flow hedges: | | | | | | | | | |
| Net fair value gains | 7 | (2) | 5 | – | – | – | 7 | (2) | 5 |
| Available-for-sale investments: | | | | | | | | | |
| Net fair value gains | – | – | – | 14 | (4) | 10 | 14 | (4) | 10 |
| Transfer to income statement on disposal | – | – | – | (1) | – | (1) | (1) | – | (1) |
| At December 31, 2015 | 9 | (2) | 7 | 22 | (4) | 18 | 31 | (6) | 25 |

19. Fair value of financial instruments

| EURm | Carrying amounts | | | | | Fair value ⁽¹⁾ | |
|--|---|---|--|--|--|---------------------------|---------------|
| | Current available-for-sale financial assets | Non-current available-for-sale financial assets | Financial instruments at fair value through profit or loss | Loans and receivables measured at amortized cost | Financial liabilities measured at amortized cost | Total | Total |
| 2015 | | | | | | | |
| Available-for-sale investments | | 132 | | | | 132 | 132 |
| Accounts receivable from Group companies, derivatives | | | | 252 | | 252 | 252 |
| Accounts receivable from other companies, derivatives | | | | 478 | | 478 | 478 |
| Current loans receivable from Group companies | | | | 4 541 | | 4 541 | 4 541 |
| Other financial assets from Group companies | | | 12 | | | 12 | 12 |
| Other financial assets from other companies | | | 96 | | | 96 | 96 |
| Short-term investments | 2 126 | | 687 | | | 2 813 | 2 813 |
| Cash and cash equivalents | 6 033 | | | | | 6 033 | 6 033 |
| Total financial assets | 8 159 | 132 | 795 | 5 271 | – | 14 357 | 14 357 |
| Long-term interest-bearing liabilities to other companies ⁽²⁾ | | | | | 1 946 | 1 946 | 2 017 |
| Current interest-bearing liabilities to Group companies | | | | | 6 937 | 6 937 | 6 937 |
| Current interest-bearing liabilities to other companies | | | | | 30 | 30 | 30 |
| Current liabilities to Group companies, other | | | | | 270 | 270 | 270 |
| Other financial liabilities to Group companies, derivatives | | | 16 | | | 16 | 16 |
| Other financial liabilities to other companies, derivatives | | | 111 | | | 111 | 111 |
| Accounts payable to Group companies | | | | | 201 | 201 | 201 |
| Accounts payable to other companies | | | | | 45 | 45 | 45 |
| Total financial liabilities | – | – | 127 | – | 9 429 | 9 556 | 9 627 |
| 2014 | | | | | | | |
| Available-for-sale investments | | 105 | | | | 105 | 105 |
| Accounts receivable from Group companies | | | | 150 | | 150 | 150 |
| Accounts receivable from other companies | | | | 116 | | 116 | 116 |
| Current loans receivable from Group companies | | | | 3 986 | | 3 986 | 3 986 |
| Other financial assets from Group companies, derivatives | | | 168 | | | 168 | 168 |
| Short-term investments | 2 | | | | | 2 | 2 |
| Cash and cash equivalents | 347 | | | | | 347 | 347 |
| Total financial assets | 349 | 105 | 168 | 4 252 | – | 4 874 | 4 874 |
| Long-term interest-bearing liabilities to other companies ⁽²⁾ | | | | | 2 558 | 2 558 | 3 976 |
| Long-term interest-bearing liabilities to Group companies | | | | | 283 | 283 | 283 |
| Current interest-bearing liabilities to Group companies | | | | | 939 | 939 | 939 |
| Current liabilities to Group companies | | | | | 728 | 728 | 728 |
| Other financial liabilities to Group companies, derivatives | | | 63 | | | 63 | 63 |
| Accounts payable to Group companies | | | | | 216 | 216 | 216 |
| Accounts payable to other companies | | | | | 16 | 16 | 16 |
| Total financial liabilities | – | – | 63 | – | 4 740 | 4 803 | 6 221 |

(1) For items not carried at fair value, the following fair value measurement methods are used. The fair value is estimated to equal the carrying amount for available-for-sale investments carried at cost less impairment for which it is not possible to estimate fair value reliably as there is no active market for these private fund investments. These assets are tested for impairment annually using a discounted cash flow analysis. The fair value of loans receivable and loans payable is estimated based on the current market values of similar instruments (level 2). The fair values of long-term interest bearing liabilities are based on discounted cash flow analysis (level 2) or quoted prices (level 1). The fair value is estimated to equal the carrying amount for short-term financial assets and financial liabilities due to limited credit risk and short time to maturity.

(2) The fair values of other long-term interest-bearing liabilities are based on discounted cash flow analysis (level 2) or quoted prices (level 1).

Notes to Parent Company financial statements continued

Financial assets and liabilities recorded at fair value are categorized based on the amount of unobservable inputs used to measure their fair value. Three hierarchical levels are based on an increasing amount of judgment associated with the inputs used to derive fair valuation for these assets and liabilities, level 1 being market values and level 3, requiring most management judgment. At the end of each reporting period, the Company categorizes its financial assets and liabilities to the appropriate level of fair value hierarchy.

20. Derivative financial instruments

In 2015, the Company became the centralized external dealing entity in the Group. The Company executes all significant external derivative transactions with banks based on the Group's risk management strategy, and executes identical opposite internal derivative transactions with Group Companies as required. Derivative financial instrument designation to hedging relationships in the table below presents the use of and accounting for derivative financial instruments from the perspective of the Company's standalone financial statements, which may differ from the designation in the consolidated financial statements. Refer to Note 20, Derivative financial instruments in the consolidated financial statements.

| EURm | Assets | | Liabilities | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Fair value ⁽¹⁾ | Notional ⁽²⁾ | Fair value ⁽¹⁾ | Notional ⁽²⁾ |
| 2015 | | | | |
| Fair value hedges: | | | | |
| Interest rate swaps | 51 | 300 | – | – |
| Cash flow and fair value hedges: ⁽³⁾ | | | | |
| Cross-currency interest rate swaps | 17 | 355 | (5) | 646 |
| Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss: | | | | |
| Forward foreign exchange contracts, Group companies | 12 | 1 046 | (13) | 3 334 |
| Forward foreign exchange contracts | 23 | 3 185 | (56) | 3 642 |
| Currency options bought | 4 | 456 | – | – |
| Currency options sold, Group companies | – | – | (3) | 286 |
| Currency options sold | – | – | – | 162 |
| Interest rate swaps | – | – | (50) | 646 |
| Total | 107 | 5 342 | (127) | 8 716 |
| 2014 | | | | |
| Fair value hedges: | | | | |
| Interest rate swaps, Group companies | 72 | 378 | – | – |
| Cash flow and fair value hedges: ⁽³⁾ | | | | |
| Cross currency interest rate swaps, Group companies | 63 | 382 | – | – |
| Derivatives not designated in hedge accounting relationships carried at fair value through profit and loss: | | | | |
| Forward foreign exchange contracts, Group companies | 32 | 1 694 | (62) | 2 487 |
| Currency options bought, Group companies | – | 78 | – | – |
| Currency options sold, Group companies | – | – | (1) | 83 |
| Total | 167 | 2 532 | (63) | 2 570 |

(1) Included in other financial assets and other financial liabilities in the statement of financial position.

(2) Includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk as the exposure of certain contracts may be offset by that of other contracts.

(3) Cross-currency interest rate swaps have been designated partly as fair value hedges and partly as cash flow hedges.

21. Provisions

| EURm | 2015 | 2014 |
|--------------------|------------|------------|
| Divestment-related | 106 | 103 |
| Other | 13 | 5 |
| Total | 119 | 108 |

22. Long-term interest-bearing liabilities

| EURm | 2015 | 2014 |
|--------------------------------|--------------|--------------|
| Bonds | 1 946 | 1 813 |
| Convertible bond | – | 745 |
| Liabilities to Group companies | – | 283 |
| Total | 1 946 | 2 841 |

| EURm | Nominal value million | Nominal interest % | 2015 | 2014 |
|---------------------------------------|--------------------------|-----------------------|--------------|--------------|
| Bonds | | | | |
| 2009–2019 | 1 000 USD | 5.375 | 941 | 847 |
| 2009–2019 | 500 EUR | 6.750 | 538 | 548 |
| 2009–2039 ⁽¹⁾ | 500 USD | 6.625 | 467 | 418 |
| Total | | | 1 946 | 1 813 |
| Convertible bond⁽²⁾ | | | | |
| 2012–2017 | 750 EUR | 5.000 | – | 745 |
| Total | | | – | 745 |

(1) Repayable after 5 years.

(2) The Group has exercised its option to redeem EUR 750 million convertible bonds in November 2015 at their principal amount outstanding plus accrued interest. Virtually all bondholders elected to convert their convertible bonds into Nokia shares before redemption.

All of these borrowings are senior unsecured and have no financial covenants.

23. Accrued expenses and deferred revenue

| EURm | 2015 | 2014 |
|--|------------|------------|
| Divestment-related | 63 | 36 |
| Accrued interest | 41 | 47 |
| Salaries and social expenses | 16 | 11 |
| Taxes | 16 | (4) |
| Other accrued liabilities to Group companies | 12 | 41 |
| Other accrued liabilities to other companies | 30 | 23 |
| Total | 178 | 154 |

Notes to Parent Company financial statements continued

24. Commitments and contingencies

| EURm | 2015 | 2014 |
|---|------|------|
| Contingent liabilities on behalf of Group companies | | |
| Financial guarantees | 7 | – |
| Leasing guarantees | 68 | 79 |
| Other guarantees | 404 | 16 |
| Contingent liabilities on behalf of associated companies | | |
| Financial guarantees on behalf of associated companies | 15 | 13 |
| Contingent liabilities on behalf of other companies | | |
| Financial guarantees on behalf of third parties | 6 | 6 |
| Other guarantees | 133 | 17 |

Certain India related accounts receivable are under payment restrictions due to on-going tax proceedings.

25. Leasing contracts

At December 31, 2015 lease obligations amounted to EUR 0.4 million (EUR 5 million in 2014).

26. Loans granted to the management of the company

There were no loans granted to the members of the Group Leadership Team and Board of Directors at December 31, 2015.

27. Notes to the statement of cash flows

| EURm | 2015 | 2014 |
|--|--------------|----------------|
| Adjustments for | | |
| Depreciation and amortization | 7 | 8 |
| Profit on disposal of property, plant and equipment and available-for-sale investments | (7) | (14) |
| Income tax expense/(benefit) | 91 | (58) |
| Financial income and expenses | 340 | (1 850) |
| Impairment charges | 24 | 3 812 |
| Gain on sale of shares and businesses | (718) | (8 483) |
| Asset retirements | 4 | 1 |
| Share-based payment | 8 | 26 |
| Other income and expenses, net | (96) | 1 495 |
| Total | (347) | (5 063) |
| Change in net working capital | | |
| Increase in accounts receivable | (417) | (129) |
| Decrease in inventories | – | 2 |
| (Decrease)/increase in interest-free short-term liabilities | (402) | 959 |
| Total | (819) | 832 |

In 2015, the Company exercised its option to redeem EUR 750 million convertible bonds at their principal amount outstanding plus accrued interest. The redemption led to materially all convertible bonds being converted to Nokia shares, resulting in no cash impact. In 2014, the convertible bonds issued to Microsoft in 2013 have been netted against the proceeds from the Sale of the D&S Business.

28. Principal Group companies

Refer to Note 33, Principal Group companies of the consolidated financial statements.

Full list of Group companies is included in the Financial statements filed with the Registrar of Companies.

29. Shares of the Parent Company

Refer to Note 24, Shares of the Parent Company in the consolidated financial statements.

30. Risk management

The Group has a systematic and structured approach to risk management across business operations and processes. Risk management policies and procedures are Group-wide, there are no separate or individual risk management policies or procedures for the Parent Company. Hence, internal and external risk exposures and transactions are managed only in the context of the Group risk management strategy. Refer to Note 35, Risk management in the consolidated financial statements.

31. Subsequent events

Refer to Note 36, Subsequent events in the consolidated financial statements.

Signing of the Annual Accounts 2015 and proposal by the Board of Directors for distribution of profit

The distributable funds in the statement of financial position of the Parent Company at December 31, 2015 amounted to EUR 9 456 million.

The Board proposes to the Annual General Meeting that from the retained earnings a dividend of EUR 0.16 per share and a special dividend of EUR 0.10 per share be paid out on the shares of the Company. At December 30, 2015, the total number of shares of the Company was 3 992 863 716, based on which the maximum amount to be distributed as dividend would be EUR 1 038 million. At March 31, 2016 the number of shares of the company entitled to dividend was 5 775 945 340, based on which the maximum amount to be distributed as dividend would be EUR 1 502 million.

The proposed dividend is in line with the Company's distribution policy.

April 1, 2016

Risto Siilasmaa
Chairman of the Board

Vivek Badrinath

Bruce Brown

Louis R. Hughes

Simon Jiang

Jouko Karvinen

Jean C. Monty

Elizabeth Nelson

Olivier Piou

Kari Stadigh

Rajeev Suri
President and CEO

Auditor's Report

To the Annual General Meeting of Nokia Corporation

We have audited the accounting records, the financial statements, the review by the Board of Directors and the administration of Nokia Corporation for the year ended 31 December 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in shareholders' equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, statement of cash flows and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the review by the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the review by the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the review by the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the review by the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the review by the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements and the review by the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the review by the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Review by the Board of Directors

In our opinion, the financial statements and the review by the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the review by the Board of Directors in Finland. The information in the review by the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Espoo, April 1, 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Other information

Contents

| | |
|----------------------------|-----|
| Forward-looking statements | 206 |
| Glossary of terms | 208 |
| Investor information | 211 |
| Contact information | 212 |

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) our ability to integrate Alcatel Lucent into our operations and achieve the targeted business plans and benefits, including targeted synergies in relation to the acquisition of Alcatel Lucent announced on April 15, 2015 and closed in early 2016;
- B) our ability to squeeze out the remaining Alcatel Lucent shareholders in a timely manner or at all to achieve full ownership of Alcatel Lucent;
- C) expectations, plans or benefits related to our strategies and growth management;
- D) expectations, plans or benefits related to future performance of our businesses;
- E) expectations, plans or benefits related to changes in our management and other leadership, operational structure and operating model, including the expected characteristics, business, organizational structure, management and operations following the acquisition of Alcatel Lucent;
- F) expectations regarding market developments, general economic conditions and structural changes;
- G) expectations and targets regarding financial performance, results, operating expenses, taxes, cost savings and competitiveness, as well as results of operations including targeted synergies and those related to market share, prices, net sales, income and margins;
- H) timing of the deliveries of our products and services;
- I) expectations and targets regarding collaboration and partnering arrangements, as well as our expected customer reach;
- J) outcome of pending and threatened litigation, arbitration, disputes, regulatory proceedings or investigations by authorities;
- K) 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; and
- L) statements preceded by or including “believe,” “expect,” “anticipate,” “foresee,” “sees,” “target,” “estimate,” “designed,” “aim,” “plans,” “intends,” “focus,” “continue,” “project,” “should,” “will” or similar 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 strategy, sustain or improve the operational and financial performance of our business or correctly identify or successfully pursue business opportunities or growth;
- 2) our ability to achieve the anticipated business and operational benefits and synergies from the Alcatel Lucent transaction, including our ability to integrate Alcatel Lucent into our operations and within the timeframe targeted, and our ability to implement our organization and operational structure efficiently;
- 3) our ability to complete the purchases of the remaining outstanding Alcatel Lucent securities and realize the benefits of the public exchange offer for all outstanding Alcatel Lucent securities;
- 4) our dependence on general economic and market conditions and other developments in the economies where we operate;
- 5) our dependence on the development of the industries in which we operate, including the cyclical and variability of the telecommunications industry;
- 6) our exposure to regulatory, political or other developments in various countries or regions, including emerging markets and the associated risks in relation to tax matters and exchange controls, among others;
- 7) our ability to effectively and profitably compete and invest in new competitive high-quality products, services, upgrades and technologies and bring them to market in a timely manner;
- 8) our dependence on a limited number of customers and large multi-year agreements;
- 9) Nokia Technologies’ ability to maintain and establish new sources of patent licensing income and IPR-related revenues, particularly in the smartphone market;
- 10) our dependence on IPR technologies, including those that we have developed and those that are licensed to us, and the risk of associated IPR-related legal claims, licensing costs and restrictions on use;
- 11) our exposure to direct and indirect regulation, including economic or trade policies, and the reliability of our governance, internal controls and compliance processes to prevent regulatory penalties;
- 12) our reliance on third-party solutions for data storage and the distribution of products and services, which expose us to risks relating to security, regulation and cybersecurity breaches;
- 13) Nokia Technologies’ ability to generate net sales and profitability through licensing of the Nokia brand, the development and sales of products and services, as well as other business ventures which may not materialize as planned;

- 14) our exposure to legislative frameworks and jurisdictions that regulate fraud, economic trade sanctions and policies, and Alcatel Lucent's previous and current involvement in anti-corruption allegations;
- 15) the potential complex tax issues, tax disputes and tax obligations we may face in various jurisdictions, including the risk of obligations to pay additional taxes;
- 16) our actual or anticipated performance, among other factors, which could reduce our ability to utilize deferred tax assets;
- 17) our ability to retain, motivate, develop and recruit appropriately skilled employees;
- 18) our ability to manage our manufacturing, service creation, delivery, logistics and supply chain processes, and the risk related to our geographically-concentrated production sites;
- 19) the impact of unfavorable outcome of litigation, arbitration, agreement-related disputes or allegations of product liability associated with our businesses;
- 20) exchange rate fluctuations;
- 21) inefficiencies, breaches, malfunctions or disruptions of information technology systems;
- 22) our ability to optimize our capital structure as planned and re-establish our investment grade credit rating or otherwise improve our credit ratings;
- 23) uncertainty related to the amount of dividends and equity return we are able to distribute to shareholders for each financial period;
- 24) our ability to achieve targeted benefits from or successfully implement planned transactions, as well as the liabilities related thereto;
- 25) our involvement in joint ventures and jointly-managed companies;
- 26) performance failures by our partners or failure to agree to partnering arrangements with third parties;
- 27) our ability to manage and improve our financial and operating performance, cost savings, competitiveness and synergy benefits after the acquisition of Alcatel Lucent;
- 28) adverse developments with respect to customer financing or extended payment terms we provide to customers;
- 29) the carrying amount of our goodwill may not be recoverable;
- 30) risks related to undersea infrastructure;
- 31) unexpected liabilities with respect to pension plans, insurance matters and employees; and
- 32) unexpected liabilities or issues with respect to the acquisition of Alcatel Lucent, including pension, post-retirement, health and life insurance and other employee liabilities or higher than expected transaction costs, as well as the risk factors specified on pages 70 and 71 of this annual report under "Operating and financial review and prospects—Risk factors",

as well as in Nokia's other filings with the U.S. Securities and Exchange Commission. 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. We do 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.

Introduction and use of certain terms

Nokia Corporation is a public limited liability company incorporated under the laws of the Republic of Finland. In this annual report, any reference to "we," "us," "the Group" or "Nokia" means Nokia Corporation and its subsidiaries on a consolidated basis and which refers generally to Nokia's Continuing operations, except where we separately specify that the term means Nokia Corporation or a particular subsidiary or business segment only or the Discontinued operations, and except that references to "our shares", matters relating to our shares or matters of corporate governance refer to the shares and corporate governance of Nokia Corporation.

Nokia Corporation has published its consolidated financial statements in euro for periods beginning on or after January 1, 1999. In this annual report, references to "EUR," "euro" or "€" are to the common currency of the European Economic and Monetary Union, and references to "dollars", "US dollars", "USD" or "\$" are to the currency of the United States.

Glossary of terms

3G (Third Generation Mobile Communications): The third generation of mobile communications standards designed for carrying both voice and data generally using WCDMA or close variants.

4G (Fourth Generation Mobile Communications): The fourth generation of mobile communications standards based on LTE, offering IP data connections only and providing true broadband internet access for mobile devices. Refer also to LTE.

5G (Fifth Generation Mobile Communications): The next major phase of mobile telecommunications standards. 5G will be the set of technical components and systems needed to handle new requirements and overcome the limits of current systems.

Access network: A telecommunications network between a local exchange and the subscriber station.

ADSL (Asymmetric Digital Subscriber Line): A data communications technology that enables faster data transmission over copper telephone lines rather than a conventional modem can provide; the technology that introduced broadband to the masses.

Alcatel Lucent SA: Alcatel Lucent, a subsidiary of Nokia Corporation.

API (Application Programming Interface): A set of routines, protocols, and tools for building software applications, specifying how software components should interact.

Applications & Analytics: Nokia's business group offering carrier-grade software applications and platforms to provide operations and business support systems, build, deliver, and optimize services, enable their monetization, and to improve customer experience.

Bandwidth: The width of a communication channel, which affects transmission speeds over that channel.

Base station: A network element in a mobile network responsible for radio transmission and reception to or from the mobile station.

Bell Labs: Nokia's research arm discovering and developing the technological shifts needed for the next phase of human existence as well as exploring and solving complex problems to radically redefine networks.

Broadband: The delivery of higher bandwidth by using transmission channels capable of supporting data rates greater than the primary rate of 9.6 Kbps.

CDMA (Code Division Multiple Access): A technique in which radio transmissions using the same frequency band are coded in a way that a signal from a certain transmitter can be received only by certain receivers.

Churn: Churn rate is a measure of the number of customers or subscribers who leave their service provider, e.g. a mobile operator, during a given time period.

Cloud: Cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications and services) that can be rapidly provisioned and released with minimal management effort.

CloudBand: Nokia's Cloud management and orchestration solutions enabling a unified Cloud engine and platform for NFV.

Continuing operations: Refers to the Continuing operations following the Sale of the HERE Business in 2015 and the Sale of the D&S Business in 2014. Nokia's Continuing operations in 2015 included two businesses: Nokia Networks and Nokia Technologies.

Convergence: The coming together of two or more disparate disciplines or technologies. Convergence types are, for example, IP convergence, fixed-mobile convergence and device convergence.

Converged Core: A business line of Nokia's Mobile Networks business group providing solutions for the core network of the future.

Core network: A combination of exchanges and the basic transmission equipment that together form the basis for network services.

Customer Experience Management: Software suite used to manage and improve the customer experience, based on customer, device and network insights.

Devices & Services: Nokia's former mobile device business, substantially all of which was sold to Microsoft.

Digital: A signaling technique in which a signal is encoded into digits for transmission.

Discontinued operations: Mainly refers to the divestment of our HERE business to an automotive consortium.

Ecosystem: An industry term to describe the increasingly large communities of mutually beneficial partnerships that participants such as hardware manufacturers, software providers, developers, publishers, entertainment providers, advertisers and ecommerce specialists form in order to bring their offerings to market. At the heart of the major ecosystems in the mobile devices and related services industry is the operating system and the development platform upon which services are built.

Engine: Hardware and software that perform essential core functions for telecommunication or application tasks

ETSI (European Telecommunications Standards Institute): Standards produced by the ETSI contain technical specifications laying down the characteristics required for a telecommunications product.

FD-LTE (Frequency Division Long-Term Evolution) also known as FDD (Frequency Division Duplex): A standard for LTE mobile broadband networks. Frequency Division means that separate, parallel connections are used to carry data from the base station to the mobile device ('downlink') and from the mobile device to the base station ('uplink').

Fixed Networks: Nokia's Fixed Networks business group provides copper and fiber access products, solutions, and services.

Global Delivery Center: A remote service delivery center with a pool of services experts, automated tools and standardized processes to ensure that services across the entire network life cycle are delivered to operators globally.

G.fast: A fixed broadband technology able to deliver up to 1Gbps over very short distances (for example for in-building use, also called "Fiber-to-the-Building"). Launched in 2014, G.fast uses more frequencies and G.fast Vectoring techniques to achieve higher speeds.

Global Services: A segment within Nokia Networks in 2015. Global Services provided mobile operators with a broad range of services, including professional services, network implementation and customer care services.

GPON (Gigabit Passive Optical Networking): A fiber access technology that delivers 2.5Gbps over a single optical fiber to multiple end points including residential and enterprise sites.

GSM (Global System for Mobile Communications): A digital system for mobile communications that is based on a widely-accepted standard and typically operates in the 900 MHz, 1800 MHz and 1900 MHz frequency bands.

HERE: A Nokia company focused on mapping and location intelligence services, which was divested to an automotive consortium in 2015.

Internet of Things (IoT): All things such as cars, the clothes we wear, household appliances and machines in factories connected to the Internet and able to automatically learn and organize themselves.

ICT: Information and communications technology.

Implementation patents: Implementation patents include technologies used to implement functionalities in products or services which are not covered by commitments to standards setting organizations, so they typically offer product differentiation by giving competitive advantage, such as increased performance, smaller size or improved battery life and the patent owner has no obligation to license them to others.

Industrial design: Design process applied for products that will be manufactured at mass scale.

Internet Protocol: A network layer protocol that offers a connectionless internet work service and forms part of the TCP/IP protocol.

IP (Intellectual Property): Intellectual property results from original creative thought, covering items such as patents, copyright material, trademarks, as well as business models and plans.

IP Multimedia Subsystem (IMS): Architectural framework designed to deliver IP-based multimedia services on telco networks; standardized by 3GPP.

IPR (Intellectual Property Right): Legal right protecting the economic exploitation of intellectual property, a generic term used to describe products of human intellect, for example patents, that have an economic value.

IPR licensing: Generally refers to an agreement or an arrangement where a company allows another company to use its intellectual property (such as patents, trademarks or copyrights) under certain terms.

IPTV (Internet Protocol Television): Television services delivered over Internet protocol infrastructure through a telephone or cable network using a broadband access line.

IP/Optical Networks: Nokia's IP/Optical Networks business group provides the key IP routing and optical transport systems, software and services to build high capacity network infrastructure for the internet and global connectivity.

Labs: The R&D unit of Nokia Technologies, primarily supporting Nokia Technologies' longer-term Digital Media and Digital Health offering along with advanced concepts, and driving the renewal of our intellectual property portfolio.

LTE (Long-Term Evolution): 3GPP radio technology evolution architecture and a standard for wireless communication of high-speed data. Also referred to as 4G, refer to 4G above.

LTE-M: An IoT radio technology addressing demanding IoT applications needs with low to mid-volume data use of up to about 1Mbps. The technology also simplifies modems by about 80%.

Mobile broadband: Refers to high-speed wireless internet connections and services designed to be used from arbitrary locations.

Mobile Broadband: A segment within Nokia Networks in 2015. Mobile Broadband provided mobile operators with radio and core network software together with the hardware needed to deliver mobile voice and data services.

Mobile Networks: Nokia's Mobile Networks business group offers an industry-leading portfolio of end-to-end mobile networking solutions comprising hardware, software, and services for telecommunications operators, enterprises, and related markets/verticals such as public safety and IoT.

Networks business: Comprises the Mobile Networks, Fixed Networks, Applications & Analytics, and IP/Optical Networks business groups for financial reporting purposes.

Nokia Airframe: Nokia's 5G-ready data center product that combines the benefits of Cloud computing technologies with the requirements of the core and radio telecommunications world.

NFC (Near Field Communication): A short-range wireless technology that enables people to connect one NFC-enabled device with another, or to read an NFC tag. By bringing one NFC-enabled mobile device close to another NFC device, or to an NFC tag, people can easily share content, access information and services, or pay for goods.

NFV (Network Functions Virtualization): Principle of separating network functions from the hardware they run on by using virtual hardware abstraction.

NGOA (Next Generation Optical Access): Future telecommunications system based on fiber optic cables capable of achieving bandwidth data rates greater than 100 Mbps.

Nokia Networks: A Nokia business in 2015 focused on mobile network infrastructure software, hardware and services. After the closing of the public exchange offer for all outstanding Alcatel Lucent securities, this business is conducted through Networks' four business groups: Mobile Networks, Fixed Networks, Applications & Analytics, and IP/Optical Networks.

Nokia Technologies: A Nokia business focused on advanced technology development and licensing.

NSN: Short for Nokia Solutions and Networks, the former name of our Nokia Networks business. From 2007, NSN was known as Nokia Siemens Networks until Nokia acquired Siemens' 50% stake in the joint venture in 2013.

Nuage Networks: A wholly owned subsidiary of Alcatel Lucent, delivers a SDN solution to eliminate key data center network constraints that hinder Cloud services adoption.

Operating system (OS): Software that controls the basic operation of a computer or a mobile device, such as managing the processor and memory. The term is also often used to refer more generally to the software within a device, including, for instance, the user interface.

OZO: Nokia's professional Virtual Reality camera, crafted by Nokia Technologies.

Packet: Part of a message transmitted over a packet switched network.

Picocell: A small cellular base station typically covering a small area typically up to 200 meters wide. Typically used to extend coverage to indoor areas or to add network capacity in areas with very dense phone usage, such as train stations.

Platform: Software platform is a term used to refer to an operating system or programming environment, or a combination of the two.

PON (Passive Optical Networking): A fiber access architecture in which unpowered Fiber Optic Splitters are used to enable a single optical fiber to serve multiple end-points without having to provide individual fibers between the hub and customer.

Glossary of terms continued

Programmable World: A world where connectivity will expand massively, linking people as well as billions of physical objects—from cars, home appliances and smartphones, to wearables, industrial equipment and health monitors. What distinguishes the Programmable World from the Internet of Things is the intelligence that is added to data to allow people to interpret and use it, rather than just capture it.

RAN (Radio Access Network): A mobile telecommunications system consisting of radio base stations and transmission equipment.

SDN (Software Defined Networking): An approach to computer networking that decouples the network control and forwarding functions enabling the network control to become programmable and the underlying hardware to be abstracted.

SEPs (Standard-Essential Patents): Generally, patents needed to produce products which work on a standard, which companies declare as essential and agree to license on fair, reasonable and non-discriminatory (FRAND) terms.

Service Delivery Hub: Smaller service delivery centers, typically focused on specific technology or language.

Single RAN: Single RAN allows different radio technologies to be provided at the same time from a single base station, using a multi-purpose platform.

Small cells: Low-powered radio access nodes (micro cells or picocells) that are a vital element to handling very dense data traffic demands. 3G and LTE small cells use spectrum licensed by the operator; WiFi uses unlicensed spectrum which is therefore not under the operator's exclusive control.

SON (Self-Organizing Network): An automation technology designed to make the planning, configuration, management, optimization and healing of mobile radio access networks simpler and faster.

TD-LTE (Time Division Long Term Evolution, also known as TDD (Time Division Duplex)): An alternative standard for LTE mobile broadband networks. Time Division means that a single connection is used alternately to carry data from the base station to the mobile device ('downlink') and then from the mobile device to the base station ('uplink').

TD-SCDMA (Time Division Synchronous Code Division Multiple Access): An alternative 3G standard.

Technology licensing: Generally refers to an agreement or arrangement where under certain terms a company provides another company with its technology and possibly know-how, whether protected by intellectual property or not, for use in products or services offered by the other company.

Telco Cloud: Applying Cloud computing, SDN and NFV principles in telecommunications environment, e.g. separating application software from underlying hardware with automated, programmable interfaces while still retaining telecommunications requirements such as high availability and low latency.

Transmission: The action of conveying signals from one point to one or more other points.

TWDM-PON (Time Wavelength Division Multiplexing Passive Optical Network): The latest generation fiber access technology, which uses multiple wavelengths to deliver up to 40Gbps total capacity to homes, businesses, and base stations. Also known as NG-PON2.

VDSL2 (Very High Bit Rate Digital Subscriber Line 2): A fixed broadband technology, the successor of ADSL. Launched in 2007, it typically delivers a 30Mbps broadband service from a street cabinet (also called a "Fiber-to-the-Node" deployment) over existing telephone lines.

VDSL2 Vectoring: A fixed broadband technology launched in 2011, able to deliver up to 100Mbps over a VDSL2 line by applying noise cancellation techniques to remove cross-talk between neighboring VDSL2 lines.

VoLTE (Voice over LTE): Required to offer voice services on an all-IP LTE network and generally provided using IP Multimedia Subsystem.

Vplus: A fixed broadband technology, between VDSL2 Vectoring and G.fast in terms of bandwidth and distances, typically used in FTTN (ode) deployments. Launched in 2015, it delivers up to 300Mbps and has been standardized as VDSL2 35b.

WCDMA (Wideband Code Division Multiple Access): A third-generation mobile wireless technology that offers high data speeds to mobile and portable wireless devices.

WLAN (Wireless Local Area Network): A local area network using wireless connections, such as radio, microwave or infrared links, in place of physical cables.

XG-FAST: A Bell Labs extension of G.fast technology, using even higher frequencies. Capable of delivering over 10Gbps, over 2 bonded telephone lines, over very short distances.

Investor information

Information on the Internet

www.nokia.com

Available on the internet: financial reports, members of the Group Leadership Team, other investor-related materials and events, press releases as well as environmental and social information, including our Sustainability Report, Code of Conduct, Corporate Governance Statement and Remuneration Statement.

Investor Relations contacts

investor.relations@nokia.com

Annual General Meeting

Date: Thursday, June 16, 2016

Place: Helsinki, Finland

Dividend

The Board proposes to the Annual General Meeting an ordinary dividend of EUR 0.16 per share for the year 2015 and a planned special dividend of EUR 0.10 per share.

Financial reporting

Nokia's interim reports in 2016 are planned for May 10, August 4, and October 27. The full-year 2016 results are planned to be published in January 2017.

Information published in 2015

All Nokia's global press releases and statements published in 2015 are available on the internet at company.nokia.com/en/news/press-releases.

Stock exchanges

The Nokia Corporation share is quoted on the following stock exchanges:

| | Symbol | Trading currency |
|--------------------------------------|--------|------------------|
| Nasdaq Helsinki (since 1915) | NOKIA | EUR |
| New York Stock Exchange (since 1994) | NOK | USD |
| Euronext Paris (since 2015) | NOKIA | EUR |

Documents on display

The documents referred to in this annual report can be read at the Securities and Exchange Commission's public reference facilities at 100 F Street, N.E., Room 1580, Washington, D.C. 20549.

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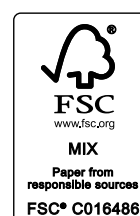
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