

NOKIA CORP
Form 6-K
January 24, 2013

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

**Pursuant to Rule 13a -16 or 15d -16 of
the Securities Exchange Act of 1934**

Report on Form 6-K dated January 24, 2013

(Commission File No. 1-13202)

Nokia Corporation

Nokia House

Keilalahdentie 4

02150 Espoo

Finland

(Name and address of registrant's principal executive office)

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

Form 20-F: **Form 40-F:**

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

Yes: No:

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

Yes: No:

INTERIM REPORT

Nokia Corporation

January 24, 2013 at 13:00 (CET +1)

Nokia Corporation Q4 and full year 2012 Interim Report

FINANCIAL AND OPERATING HIGHLIGHTS

Fourth quarter 2012 highlights:

Nokia Group non-IFRS EPS in Q4 2012 was EUR 0.06; reported EPS was EUR 0.05.

- Nokia Group achieves underlying operating profitability, with Q4 non-IFRS operating margin of 7.9%.
- Nokia Group strengthened its net cash position by approximately EUR 800 million sequentially, of which approximately EUR 650 million was generated by Nokia Siemens Networks.
- Devices & Services Q4 non-IFRS operating margin improved quarter-on-quarter to 1.3%, due to an increase in gross margin as well as a decrease in operating expenses.
- Nokia Siemens Networks non-IFRS operating margin improved quarter-on-quarter and year-on-year to a 14.4% in Q4, the highest level of underlying operating profitability since its formation in April 2007, primarily due to an increase in gross margin.

Full year 2012 highlights:

Nokia Group full year 2012 non-IFRS EPS was EUR -0.17; reported EPS was EUR -0.84.

- Nokia Group achieves underlying operating profitability, with full year 2012 non-IFRS operating margin of 0.4%.
- Nokia Group ends 2012 with a strong balance sheet and solid cash position. Gross cash was EUR 9.9 billion and net cash was EUR 4.4 billion, after incurring cash outflows related to restructuring of approximately EUR 1.5 billion and dividend payment of approximately EUR 750 million.
- To ensure strategic flexibility, the Nokia Board of Directors will propose that no dividend payment will be made for 2012 (EUR 0.20 per share for 2011). Nokia's Q4 financial performance combined with this dividend proposal further solidifies the company's strong liquidity position.

Commenting on the results, Stephen Elop, Nokia CEO, said:

We are very encouraged that our team's execution against our business strategy has started to translate into financial results. Most notably we are pleased that Nokia Group reached underlying operating profitability in the fourth quarter and for the full year 2012.

While the first half of 2012 was difficult for Nokia Group, in Q4 2012 we strengthened our financial position, improved our underlying operating margin in Devices & Services, introduced the HERE brand to expand our mapping and location experiences, and drove record profitability in Nokia Siemens Networks.

We remain focused on moving through our transition, which includes continuing to improve our product competitiveness, accelerate the way we operate and manage our costs effectively. All of these efforts are aimed at improving our financial performance and delivering more value to our shareholders.

SUMMARY FINANCIAL INFORMATION

EUR million	Reported and Non-IFRS fourth quarter 2012 results(1),(2)					Reported and Non-IFRS full year 2012 results(1),(2)		
	Q4/2012	Q4/2011	YoY Change	Q3/2012	QoQ Change	2012	2011	YoY Change
Nokia Group								
Net sales	8 041	10 005	-20%	7 239	11%	30 176	38 659	-22%
Operating profit	439	-954		-576		-2 303	-1 073	
Operating profit (non-IFRS)	635	478	33%	78	714%	126	1 825	-93%
EPS, EUR diluted	0.05	-0.29		-0.26		-0.84	-0.31	
EPS, EUR diluted (non-IFRS)(3)	0.06	0.06	0%	-0.07		-0.17	0.29	
Net cash from operating activities	563	634	-11%	-429		-354	1 137	
Net cash and other liquid assets(4)	4 360	5 581	-22%	3 564	22%	4 360	5 581	-22%
Devices & Services(5)								
Net sales	3 854	5 997	-36%	3 563	8%	15 686	23 943	-34%
Smart Devices net sales	1 225	2 747	-55%	976	26%	5 446	10 820	-50%
Mobile Phones net sales	2 468	3 040	-19%	2 366	4%	9 436	11 930	-21%
Mobile device volume (mn units)	86.3	113.5	-24%	82.9	4%	335.6	417.1	-20%
Smart Devices volume (mn units)	6.6	19.6	-66%	6.3	5%	35.1	77.3	-55%
Mobile Phones volume (mn units)	79.6	93.9	-15%	76.6	4%	300.5	339.8	-12%
Mobile device ASP(6)	45	53	-15%	43	5%	47	57	-18%
Smart Devices ASP(6)	186	140	33%	155	20%	155	140	11%
Mobile Phones ASP(6)	31	32	-3%	31	0%	31	35	-11%
Operating profit	276	203	36%	-683		-1 100	884	
Operating profit (non-IFRS)	52	292	-82%	-263		-703	1 683	
Operating margin %	7.2%	3.4%		-19.2%		-7.0%	3.7%	
Operating margin % (non-IFRS)	1.3%	4.9%		-7.4%		-4.5%	7.0%	
Location & Commerce(5)								
Net sales	278	306	-9%	265	5%	1 103	1 091	1%
Operating profit	-56	-1 205		-56		-301	-1 526	
Operating profit (non-IFRS)	40	29	38%	37	8%	154	48	221%
Operating margin %	-20.1%	-393.8%		-21.1%		-27.3%	-139.9%	
Operating margin % (non-IFRS)	14.4%	9.5%		14.0%		13.9%	4.4%	
Nokia Siemens Networks(5)								
Net sales	3 988	3 815	5%	3 501	14%	13 779	14 041	-2%
Operating profit	251	67	275%	182	38%	-799	-300	
Operating profit (non-IFRS)	575	176	227%	323	78%	778	225	246%
Operating margin %	6.3%	1.8%		5.2%		-5.8%	-2.1%	
Operating margin % (non-IFRS)	14.4%	4.6%		9.2%		5.6%	1.6%	

Note 1 relating to non-IFRS (also referred to as underlying) results: In addition to information on our reported IFRS results, we provide certain information on a non-IFRS, or underlying business performance, basis. Non-IFRS results exclude special items for all periods. In addition, non-IFRS results exclude intangible asset amortization, other purchase price accounting related items and inventory value adjustments arising from (i) the formation of Nokia Siemens Networks and (ii) all business acquisitions completed after June 30, 2008. Nokia believes that our non-IFRS results provide meaningful supplemental information to both management and investors regarding Nokia's underlying business

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performance by excluding the above-described items that may not be indicative of Nokia's business operating results. These non-IFRS financial measures should not be viewed in isolation or as substitutes to the equivalent IFRS measure(s), but should be used in conjunction with the most directly comparable IFRS measure(s) in the reported results. See note 2 below for information about the exclusions from our non-IFRS results. More information, including a reconciliation of our Q4 2012 and Q4 2011 non-IFRS results to our reported results, can be found in our complete Q4 2012 interim report with tables on pages 18 and 20-24. A reconciliation of our full year 2012 and full year 2011 non-IFRS results to our reported results can be found in the same report on pages 40-45. A reconciliation of our Q3 2012 non-IFRS results to our reported results can be found in our complete Q3 interim report with tables on pages 19 and 22-26 published on October 18, 2012.

Note 2 relating to non-IFRS exclusions:

Q4 2012 EUR 196 million (net) consisting of:

- EUR 255 million restructuring charge and other associated item in Nokia Siemens Networks, including EUR 34 million of net charges related to country and contract exits based on new strategy that focuses on key markets and product segments, as well as an impairment of assets of EUR 2 million.
- EUR 9 million restructuring charge in Location & Commerce
- EUR 2 million restructuring related impairments in Devices & Services
- EUR 75 million net benefit from releases of restructuring provisions in Devices & Services
- EUR 21 million positive item from a cartel claim settlements in Devices & Services
- EUR 52 million net gain on sale of Vertu business in Devices & Services
- EUR 79 million net gain on sale of real estate in Devices & Services
- EUR 67 million of intangible asset amortization and other purchase price accounting related items arising from the formation of Nokia Siemens Networks and the acquisition of Motorola Solutions networks assets
- EUR 87 million of intangible asset amortization and other purchase price accounting related items arising from the acquisition of NAVTEQ
- EUR 1 million of intangible assets amortization and other purchase price related items arising from the acquisition of Novarra, MetaCarta and Motally in Devices & Services

Q3 2012 EUR 654 million (net) consisting of:

- EUR 74 million restructuring charge and other associated items in Nokia Siemens Networks, including EUR 3 million of net charges related to country and contract exits based on new strategy that focuses on key markets and product segments.
- EUR 2 million restructuring charge in Location & Commerce
- EUR 454 million restructuring charge and other associated items in Devices & Services
- EUR 67 million of intangible asset amortization and other purchase price accounting related items arising from the formation of Nokia Siemens Networks and the acquisition of Motorola Solutions networks assets
- EUR 91 million of intangible asset amortization and other purchase price accounting related items arising from the acquisition of NAVTEQ

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- EUR 1 million of intangible assets amortization and other purchase price related items arising from the acquisition of Novarra, MetaCarta and Motally in Devices & Services
- EUR 35 million positive item from a cartel claim settlement in Devices & Services

Q3 2012 taxes EUR 157 million non-cash deferred tax expense related to corporate reorganizations arising from Location & Commerce business integration.

Q4 2011 EUR 1 432 million (net) consisting of:

- EUR 1 090 million partial impairment of goodwill in Location & Commerce
- EUR 25 million restructuring charge in Location & Commerce
- EUR 119 million of intangible asset amortization and other purchase price accounting related items arising from the acquisition of NAVTEQ
- EUR 100 million restructuring charge and EUR 36 million associated impairments in Devices & Services
- EUR 2 million of intangible assets amortization and other purchase price related items arising from the acquisition of Novarra, MetaCarta and Motally in Devices & Services
- EUR 86 million of intangible asset amortization and other purchase price accounting related items arising from the formation of Nokia Siemens Networks and the acquisition of Motorola Solutions networks assets
- EUR 23 million restructuring charge and other associated items in Nokia Siemens Networks
- EUR 49 million benefit from a cartel claim settlement

Note 3 relating to non-IFRS Nokia EPS:

Nokia taxes were unfavorably impacted by Devices & Services taxes as no tax benefits are recognized for certain Devices & Services deferred tax items. If Nokia's earlier estimated long-term tax rate of 26% had been applied, non-IFRS Nokia EPS would have been approximately 0.5 Euro cent higher in Q4 2012. Going forward on a non-IFRS basis, until a pattern of tax profitability is reestablished, Nokia expects to record quarterly tax expense of approximately EUR 50 million related to its Devices & Services business and approximately EUR 50 million related to its Nokia Siemens Networks business. Nokia expects to continue to record taxes related to its Location & Commerce business at a 26% rate.

Note 4 relating to Nokia net cash and other liquid assets: *Calculated as total cash and other liquid assets less interest-bearing liabilities. For selected information on Nokia Group interest-bearing liabilities, please see the table on page 53 of the complete Q4 2012 interim report with tables*

Note 5 relating to operational and reporting structure: We adopted our current operational structure during 2011 and have three businesses: Devices & Services, Location & Commerce and Nokia Siemens Networks and four operating and reportable segments: Smart Devices and Mobile Phones within Devices & Services, Location & Commerce and Nokia Siemens Networks. Smart Devices focuses on smartphones and Mobile Phones focuses on mass market mobile devices, including Asha full touch smartphones. Devices & Services also contains Devices & Services Other which includes net sales of our luxury phone business Vertu through October 12, 2012, spare parts and related cost of sales and operating expenses, as well as intellectual property related income and common research and development expenses. In October 2012, we completed the divestment of Vertu to EQT VI, a European private equity firm. Location & Commerce focuses on the development of location-based services and local commerce. On November 13, 2012, Nokia introduced HERE, the new brand for its location and mapping service. For financial reporting purposes, the Location & Commerce business will be renamed as the HERE business, starting with the first quarter 2013. Nokia Siemens Networks is one of the leading global providers of telecommunications infrastructure hardware, software and services. Nokia Siemens Networks completed the acquisition of Motorola Solutions' networks assets on April 30, 2011. Accordingly, the results of Nokia Siemens Networks for 2012 are not directly comparable to 2011.

Note 6 relating to average selling prices (ASP): Mobile device ASP represents total Devices & Services net sales (Smart Devices net sales, Mobile Phones net sales, and Devices & Services Other net sales) divided by total Devices & Services volumes. Devices & Services Other net sales includes net sales of Nokia's luxury phone business Vertu through October 12, 2012, spare parts, as well as intellectual property income. Smart Devices ASP represents Smart Devices net sales divided by Smart Devices volumes. Mobile Phones ASP represents Mobile Phones net sales divided by Mobile Phones volumes.

NOKIA OUTLOOK

- Nokia expects its Devices & Services non-IFRS operating margin in the first quarter 2013 to be approximately negative 2 percent, plus or minus four percentage points. This outlook is based on Nokia's expectations regarding a number of factors, including:

- competitive industry dynamics continuing to negatively affect the Mobile Phones and Smart Devices business units;
- the first quarter being a seasonally weak quarter;
- consumer demand, particularly for our Lumia and Asha smartphones;
- continued ramp up for our new Lumia smartphones;
- expected cost reductions under Devices & Services restructuring program; and
- the macroeconomic environment.

- Nokia continues to target to reduce its Devices & Services non-IFRS operating expenses to an annualized run rate of approximately EUR 3.0 billion by the end of 2013.

- Nokia expects Location & Commerce non-IFRS operating margin in the first quarter 2013 to be negative due to lower recognized revenue from internal sales, which carry higher gross margin, and to a lesser extent by a negative mix shift within external sales.

- Nokia and Nokia Siemens Networks expect Nokia Siemens Networks non-IFRS operating margin in the first quarter 2013 to be approximately positive 3 percent, plus or minus four percentage points. This outlook is based on Nokia Siemens Networks' expectations regarding a number of factors, including:

- competitive industry dynamics;
- the first quarter being a seasonally weak quarter;
- product and regional mix;
- expected continued improvement under Nokia Siemens Networks restructuring program; and
- the macroeconomic environment.

- Nokia Siemens Networks now targets to reduce its non-IFRS annualized operating expenses and production overheads by more than EUR 1 billion by the end of 2013, compared to the end of 2011. Nokia Siemens Networks previous target was to reduce its non-IFRS annualized operating expenses and production overheads by EUR 1 billion by the end of 2013, compared to the end of 2011.

FOURTH QUARTER 2012 FINANCIAL AND OPERATING DISCUSSION

NOKIA GROUP

See note 5 to our Summary Financial Information table above concerning our current operational and reporting structure which we adopted during 2011. The following discussion includes information on a non-IFRS, or underlying business performance, basis. See notes 1 and 2 to our Summary Financial Information table above for information about our underlying non-IFRS results and the non-IFRS exclusions for the periods discussed below.

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

FOURTH QUARTER 2012 NET SALES, REPORTED & CONSTANT CURRENCY(1)

	YoY Change	QoQ Change
Group net sales reported	-20%	11%
Group net sales - constant currency(1)	-23%	12%
Devices & Services net sales reported	-36%	8%
Devices & Services net sales - constant currency(1)	-40%	8%
Nokia Siemens Networks net sales reported	5%	14%
Nokia Siemens Networks net sales - constant currency(1)	1%	16%

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

At constant currency Nokia Group's net sales would have decreased 23% year-on-year and increased 12% sequentially.

The following table sets forth Nokia Group's reported cash flow for the periods indicated and financial position at the end of the periods indicated, as well as the year-on-year and sequential growth rates.

NOKIA GROUP CASH FLOW AND FINANCIAL POSITION

EUR million	Q4/2012	Q4/2011	YoY Change	Q3/2012	QoQ Change
Net cash from operating activities	563	634	-11%	-429	
Total cash and other liquid assets	9 909	10 902	-9%	8 779	13%
Net cash and other liquid assets(1)	4 360	5 581	-22%	3 564	22%

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

Year-on-year, net cash and other liquid assets decreased by EUR 1.2 billion in the fourth quarter 2012, primarily due to cash outflows related to restructuring of approximately EUR 1.5 billion, the payment of the dividend of approximately EUR 750 million, cash outflows related to net financial expenses and taxes as well as capital expenditures. This was partially offset by positive overall net cash from operating activities, excluding cash outflows related to restructuring, net financial expenses and taxes, as well as cash flows related to the receipt of quarterly platform support payments from Microsoft (which commenced in the fourth quarter 2011).

Sequentially, net cash and other liquid assets increased by EUR 796 million in the fourth quarter 2012, primarily due to positive Nokia Siemens Networks operating profits, the receipt of a USD 250 million (approximately EUR 196 million) quarterly platform support payment from Microsoft and proceeds from real estate sales and business divestments, partially offset by cash outflows related to restructuring, taxes and net financial expenses as well as capital expenditures.

In the fourth quarter 2012, Nokia Siemens Networks' contribution to net cash from operating activities was approximately EUR 740 million, primarily due to net profit adjusted for non-cash items. At the end of the fourth quarter 2012, Nokia Siemens Networks' contribution to the Nokia gross cash was EUR 2.4 billion and contribution to Nokia's net cash was EUR 1.3 billion.

Our agreement with Microsoft includes platform support payments from Microsoft to us as well as software royalty payments from us to Microsoft. In the fourth quarter 2012, we received a quarterly platform support payment of USD 250 million (approximately EUR 196 million). Under the terms of the agreement governing the platform support payments, the amount of each quarterly platform support payment is USD 250 million. We have a competitive software royalty structure, which includes annual minimum software royalty commitments. Minimum software royalty commitments are paid quarterly. Over the life of the agreement, both the platform support payments and the minimum software royalty commitments are expected to measure in the billions of US dollars. Over the life of the agreement the total amount of the platform support payments is expected to slightly exceed the total amount of the minimum software royalty commitment payments. To date the amount of platform support payments received by Nokia has exceeded the amount of minimum royalty commitment payments to Microsoft. Thus for the remainder of the life of the agreement the total amount of the minimum software royalty commitment payments are expected to exceed the total amount of the platform support payments. In accordance with the terms of the agreement, the platform support payments and annual minimum software royalty commitment payments continue for a corresponding period of time.

During fourth quarter 2012, Nokia Group performed its annual goodwill impairment assessment. The methodology and models used for the annual impairment assessment are consistent with our second quarter 2012 interim analysis and our last annual assessment performed during the fourth quarter 2011. Inputs to the valuation model, such as cash flows, discount rates and growth rates, have been updated to reflect our most

recent projections and they materially align with the interim analysis conducted during second quarter 2012.

At the date of our 2012 annual impairment assessment, goodwill amounting to EUR 530 million, EUR 899 million, EUR 3 270 million and EUR 183 million was allocated to Mobile Phones, Smart Devices, Location & Commerce and Nokia Siemens Networks, respectively. No goodwill impairment charge was recorded during the fourth quarter 2012 as a result of the goodwill impairment assessment. However a change in any of the key assumptions used in measuring the recoverable value of our Location & Commerce business could have resulted in goodwill impairment. While we believe the estimated recoverable values are reasonable, actual performance in the short-term and long-term could be materially different from our forecasts, which could impact future estimates of recoverable value of our reporting units and could result in impairment charges.

DEVICES & SERVICES

The following table sets forth a summary of the results for our Devices & Services business for the periods indicated, as well as the year-on-year and sequential growth rates.

DEVICES & SERVICES RESULTS SUMMARY

	Q4/2012	Q4/2011	YoY Change	Q3/2012	QoQ Change
Net sales (EUR million)(1)	3 854	5 997	-36%	3 563	8%
Mobile device volume (million units)	86.3	113.5	-24%	82.9	4%
Mobile device ASP (EUR)	45	53	-15%	43	5%
Non-IFRS gross margin (%)	23.9%	25.8%		18.5%	
Non-IFRS operating expenses (EUR million)	869	1 262	-31%	915	-5%
Non-IFRS operating margin (%)	1.3%	4.9%		-7.4%	

Note 1: Includes IPR income recognized in Devices & Services Other net sales.

The year-on-year and sequential changes in our Devices & Services net sales, volumes, average selling prices and gross margin are discussed below under our Smart Devices and Mobile Phones business units.

Smartphone Volumes

In the fourth quarter 2012, Devices & Services total smartphone volumes were 15.9 million units, composed of:

- 9.3 million Asha full touch smartphones in Mobile Phones
- 4.4 million Lumia smartphones in Smart Devices
- 2.2 million Symbian smartphones in Smart Devices

Devices & Services Other

Both year-on-year and sequentially, Devices & Services Other net sales were lower in the fourth quarter 2012 primarily due to the divestment of Vertu. Following the divestment of Vertu, Devices & Services Other net sales are comprised of IPR income and sales of spare parts. In the fourth quarter 2012, Devices & Services Other net sales benefitted from non-recurring IPR income of approximately EUR 50 million. Within Devices & Services Other, we estimate that our current annual IPR income run-rate is approximately EUR 0.5 billion.

Channel Inventory

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We ended the fourth quarter 2012 at the higher end of our normal 4 to 6 week channel inventory range. On an absolute unit basis channel inventories increased sequentially.

Net Sales and Volumes by Geographic Area

The following table sets forth the net sales for our Devices & Services business for the periods indicated, as well as the year-on-year and sequential growth rates, by geographic area. IPR income is allocated to the geographic areas contained in this chart.

DEVICES & SERVICES NET SALES BY GEOGRAPHIC AREA

EUR million	Q4/2012	Q4/2011	YoY Change	Q3/2012	QoQ Change
Europe	1 210	1 922	-37%	985	23%
Middle East & Africa	745	1 065	-30%	682	9%
Greater China	213	1 008	-79%	278	-23%
Asia-Pacific	941	1 297	-27%	977	-4%
North America	196	53	270%	36	444%
Latin America	549	652	-16%	605	-9%
Total	3 854	5 997	-36%	3 563	8%

The following table sets forth the mobile device volumes for our Devices & Services business for the periods indicated, as well as the year on-year and sequential growth rates, by geographic area.

DEVICES & SERVICES MOBILE DEVICE VOLUMES BY GEOGRAPHIC AREA

million units	Q4/2012	Q4/2011	YoY Change	Q3/2012	QoQ Change
Europe	19.4	25.3	-23%	16.8	15%
Middle East & Africa	21.8	25.9	-16%	19.1	14%
Greater China	4.6	14.7	-69%	5.8	-21%
Asia-Pacific	28.7	34.7	-17%	30.1	-5%
North America	0.7	0.5	40%	0.3	133%
Latin America	11.1	12.4	-10%	10.8	3%
Total	86.3	113.5	-24%	82.9	4%

On a year-on-year basis, the increases in North America net sales and volumes were primarily due to our Smart Devices business unit, most notably higher net sales and volumes of our Lumia devices. On a year-on-year basis, the decrease in Greater China net sales was primarily due to our Smart Devices business unit, most notably lower net sales of our Symbian devices. On a year-on-year basis, the decrease in Greater China volumes was primarily due to our Smart Devices business unit, most notably lower volumes of our Symbian devices as well as lower volumes of our Mobile Phones devices.

On a sequential basis, the increases in North America net sales and volumes were primarily due to our Smart Devices business unit, most notably higher net sales and volumes of our Lumia devices. On a sequential basis, the decreases in Greater China net sales and volumes were primarily due to lower net sales and volumes our Mobile Phones devices.

At constant currency Devices & Services net sales would have decreased 40% year-on-year and increased 8% sequentially.

Operating Expenses

Devices & Services non-IFRS operating expenses decreased 31% year-on-year and 5% sequentially in the fourth quarter 2012. On a year-on-year basis, operating expenses related to Mobile Phones and Smart Devices decreased 19% and 34% respectively, in the fourth quarter 2012. On a sequential basis, operating expenses related to Mobile Phones decreased by 12% while Smart Devices operating expenses increased 9%, respectively, in the fourth quarter 2012. In addition to the factors described below, the year-on-year changes were affected by the proportionate allocation of operating expenses being affected by the relative mix of sales and gross profit performance between Mobile Phones and Smart Devices. This resulted in higher and lower relative allocations to Mobile Phones and Smart Devices, respectively.

Devices & Services non-IFRS research and development expenses decreased 34% year-on-year in the fourth quarter 2012. On a sequential basis, Devices & Services non-IFRS research and development expenses decreased 8% in the fourth quarter 2012. Both the year-on-year and sequential declines were primarily due to ramping down Symbian and MeeGo, reductions in certain Mobile Phones related activities and overall cost controls.

Devices & Services non-IFRS sales and marketing expenses decreased 28% year-on-year in the fourth quarter 2012. On a year-on-year basis marketing expenses declined primarily due to lower marketing expenditure on Symbian, a lower cost base as a result of business divestments and tight cost control, partially offset by higher marketing expenditure related to our Lumia devices. On a sequential basis, Devices & Services non-IFRS sales and marketing expenses increased 3% in the fourth quarter 2012. Sequentially, marketing expenses increased primarily due to higher expenditure on Lumia and seasonality, partially offset by business divestments, headcount reductions and tight cost control.

Devices & Services non-IFRS administrative and general expenses decreased 30% year-on-year in the fourth quarter 2012 and 35% sequentially. The year-on-year and sequential decreases are primarily related to cost savings in support functions, business divestments and shared function cost categorization.

In the fourth quarter 2012, Devices & Services non-IFRS other income and expense had a negative year-on-year and positive sequential impact on profitability. On a reported basis, other income and expense was positively affected in the fourth quarter 2012 primarily as a result of net gains from the sale of real estate of EUR 79 million, the divestment of the Vertu business of EUR 52 million and a positive item of EUR 21

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million from a cartel claim settlement, as well as an EUR 75 million net benefit related to restructuring provision releases as discussed in the Cost Reduction Activities and Planned Operational Adjustments section below.

Operating Margin

The lower year-on-year Devices & Services non-IFRS operating margin in the fourth quarter 2012 was primarily due to lower net sales and gross margin, partially offset by lower operating expenses.

The sequentially higher Devices & Services non-IFRS operating margin in the fourth quarter 2012 was primarily due to higher gross margin and to a lesser extent lower operating expenses.

Cost Reduction Activities and Planned Operational Adjustments

DEVICES & SERVICES RESTRUCTURING SUMMARY

EUR (million)	Q4/2012 (approximate)	Cumulative up to Q4/2012 (approximate)	Q1/2013 (approximate estimate)	2013 (approximate estimate)	Total (approximate estimate)
Restructuring related charges	-73	1 400	Not provided	Not provided	1 600
Restructuring related cash outflows	300	1 100	150	300	1 400

Nokia continues to target to reduce its Devices & Services non-IFRS operating expenses to an annualized run rate of approximately EUR 3.0 billion by the end of 2013.

At the end of the fourth quarter 2012, Devices & Services and Corporate Common had approximately 33 200 employees, a reduction of approximately 16 500 compared to fourth quarter 2011, and approximately 5 000 compared to third quarter 2012.

In connection with the implementation of our strategy announced in February 2011, we have announced and made a number of changes to our operations. In the fourth quarter of 2012, we recognized a net benefit of EUR 73 million related to restructuring provision releases and impairments related to our restructuring activities in Devices & Services. By the end of the fourth quarter 2012, we had recorded cumulative Devices & Services restructuring charges and other associated items of approximately EUR 1.4 billion. In total, we expect now cumulative Devices & Services restructuring charges of approximately EUR 1.6 billion before the end of 2013. This is approximately EUR 200 million less than what we estimated earlier.

By the end of the fourth quarter 2012, Devices & Services had cumulative restructuring related cash outflows of approximately EUR 1.1 billion. We expect Devices & Services restructuring related cash outflows to be approximately EUR 150 million in first quarter 2013 and approximately EUR 300 million in full year 2013. Of the total expected charges relating to restructuring activities of approximately EUR 1.6 billion, we expect Devices & Services non-cash charges to be approximately EUR 200 million. This means that we also now expect total restructuring related cash outflows to be approximately EUR 200 million less than what we estimated earlier.

SMART DEVICES

The following table sets forth a summary of the results for our Smart Devices business unit for the periods indicated, as well as the year-on-year and sequential growth rates.

SMART DEVICES RESULTS SUMMARY

	Q4/2012	Q4/2011	YoY Change	Q3/2012	QoQ Change
Net sales (EUR million)(1)	1 225	2 747	-55%	976	26%
Smart Devices volume (million units)	6.6	19.6	-66%	6.3	5%
Smart Devices ASP (EUR)	186	140	33%	155	20%
Gross margin (%)	18.0%	19.9%		-3.5%	
Operating expenses (EUR million)(2)	481	732	-34%	441	9%
Contribution margin (%) (2)	-21.6%	-7.0%		-48.9%	

Note 1: Does not include IPR income. IPR income is recognized in Devices & Services Other net sales.

Note 2: The year-on-year decrease in operating expenses was affected by the proportionate allocation of operating expenses being affected by the relative mix of sales and gross profit performance between Mobile Phones and Smart Devices, resulting in lower relative allocations to Smart Devices in the first, second, third and fourth quarters 2012. Accordingly, fourth quarter 2012 operating expenses are not directly

comparable to fourth quarter 2011 operating expenses.

Net Sales

On a year-on-year basis, the decline in our Smart Devices net sales in the fourth quarter 2012 was due to lower volumes partially offset by higher ASPs. On a sequential basis, the increase in our Smart Devices net sales in the fourth quarter 2012 was due to higher ASPs and volumes.

Volume

During the fourth quarter 2012 we shipped 6.6 million Smart Devices units, of which 4.4 million were Lumia devices. During the fourth quarter 2012 our Smart Devices volumes were affected by supply constraints as we ramped up our production capacity, particularly related to the Lumia 920, which have continued into the first quarter 2013. Symbian devices accounted for 2.2 million units of our Smart Devices volumes in the fourth quarter 2012. We expect our Symbian devices to account for a significantly smaller portion of our overall Smart Devices volumes in the first quarter 2013 and going forward.

The year-on-year decline in our Smart Devices volumes in the fourth quarter 2012 continued to be driven by the strong momentum of competing smartphone platforms and our portfolio transition from Symbian devices to Lumia devices. The decline was primarily due to lower Symbian device volumes, partially offset by higher Lumia device

volumes. On a geographical basis, the decrease in volumes was due to lower volumes in Greater China, Europe, Asia-Pacific, Middle East and Africa and Latin America, partially offset by an increase in volumes in North America.

On a sequential basis, the increase in our Smart Devices volumes in the fourth quarter 2012 was primarily due to higher Lumia device volumes, partially offset by lower Symbian device volumes. On a geographical basis, the increase in volumes was primarily due to higher volumes in North America and Europe, partially offset by lower volumes in all other regions.

Average Selling Price

The year-on-year increase in our Smart Devices ASP in the fourth quarter 2012 was primarily due to a positive mix shift towards sales of our Lumia devices which carry a higher ASP than our Symbian devices, partially offset by our pricing actions taken in previous quarters in 2012 related to certain Lumia devices.

Sequentially, the increase in our Smart Devices ASP in the fourth quarter 2012 was primarily due to a positive mix shift towards sales of our newly launched Lumia devices which had a higher ASP, partially offset by general price erosion. The ASP of our Lumia devices in the fourth quarter 2012 was EUR 192, compared to EUR 160 in the third quarter 2012. The increase in Lumia ASPs was primarily due to a positive mix shift towards sales of our newly launched Lumia devices which had a higher ASP.

Gross Margin

The year-on-year decline in our Smart Devices gross margin in the fourth quarter 2012 was primarily due to greater price erosion than cost erosion, partially offset by a positive product mix shift towards higher gross margin Lumia devices as well as the absence of Symbian related allowances which were recognized in the fourth quarter 2011. From an operating system perspective, the year-on-year decline in our Smart Devices gross margin in the fourth quarter 2012 was primarily due to a lower Symbian gross margin.

On a sequential basis, the increase in our Smart Devices gross margin in the fourth quarter 2012 was primarily due to the absence of approximately EUR 120 million of inventory related allowances which were recognized in the third quarter 2012 as well as a positive product mix shift towards higher gross margin devices, and lower Symbian fixed costs per unit. From an operating system perspective, the sequential increase in our Smart Devices gross margin in the fourth quarter was primarily due to a higher Lumia gross margin as well as a higher Symbian gross margin.

Increases or decreases to Smart Devices inventory related allowances may be required in the future depending on several factors, including consumer demand and continued ramp up particularly related to our new Lumia devices.

MOBILE PHONES

The following table sets forth a summary of the results for our Mobile Phones business unit for the periods indicated, as well as the year-on-year and sequential growth rates.

MOBILE PHONES RESULTS SUMMARY

	Q4/2012	Q4/2011	YoY Change	Q3/2012	QoQ Change
Net sales (EUR million)(1)	2 468	3 040	-19%	2 366	4%
Mobile Phones volume (million units)	79.6	93.9	-15%	76.6	4%
Mobile Phones ASP (EUR)	31	32	-3%	31	0%
Gross margin (%)	22.2%	27.7%		21.7%	
Operating expenses (EUR million)(2)	346	429	-19%	393	-12%
Contribution margin (%) (2)	8.2%	13.5%		4.9%	

Note 1: Does not include IPR income. IPR income is recognized in Devices & Services Other net sales.

Note 2: The year-on-year decrease in operating expenses was affected by the proportionate allocation of operating expenses being affected by the relative mix of sales and gross profit performance between Mobile Phones and Smart Devices, resulting in higher relative allocations to Mobile Phones in the first, second, third and fourth quarters 2012. Accordingly, fourth quarter 2012 operating expenses are not directly comparable to fourth quarter 2011 operating expenses.

Net Sales

On a year-on-year basis, the decline in our Mobile Phones net sales in the fourth quarter 2012 was due to lower volumes as well as lower ASPs. On a sequential basis, the increase in our Mobile Phones net sales in the fourth quarter 2012 was primarily due to higher volumes.