

NOKIA CORP  
Form 6-K  
July 18, 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 July 18, 2013**

**(Commission File No. 1-13202)**

## Nokia Corporation

**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:**

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):

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Yes:  No:

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Yes:  No:

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:

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*INTERIM REPORT*

Nokia Corporation

July 18, 2013 at 13:00 (CET +1)

**Nokia Corporation Interim Report for Q2 2013 and January-June 2013**

**FINANCIAL AND OPERATING HIGHLIGHTS**

Second quarter 2013 highlights:

**Nokia Group non-IFRS EPS in Q2 2013 was EUR 0.00; reported EPS was EUR -0.06.**

- Nokia Group achieved underlying operating profitability for the fourth consecutive quarter, with a Q2 non-IFRS operating margin of 5.3%, driven by strong performance of Nokia Siemens Networks.
- Nokia Group ended Q2 with a strong balance sheet and solid cash position, with gross cash of EUR 9.5 billion and net cash of EUR 4.1 billion. Nokia Siemens Networks contribution to Nokia Group gross and net cash was EUR 2.5 billion and EUR 1.4 billion respectively.
- Nokia Siemens Networks achieved underlying profitability for the fifth consecutive quarter, with a Q2 non-IFRS operating margin of 11.8%, reflecting record non-IFRS gross margin and continued progress relative to its strategy. This exceeded the earlier expectation for Nokia Siemens Networks non-IFRS operating margin to be approximately 5%, plus or minus four percentage points.
- Devices & Services achieved Q2 non-IFRS operating margin of negative 1.2%, which was consistent with the earlier expectation for approximately negative 2%, plus or minus four percentage points.
- HERE achieved Q2 non-IFRS operating margin of 3.4%. This exceeded the earlier expectation for a negative non-IFRS operating margin.

**Nokia Group net sales in Q2 2013 were EUR 5.7 billion, down 3% quarter-on-quarter**

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- Nokia Siemens Networks Q2 net sales decreased 1% quarter-on-quarter to EUR 2.8 billion, reflecting Nokia Siemens Networks focused strategy.
- Devices & Services Q2 net sales decreased 6% quarter-on-quarter to EUR 2.7 billion.
- Lumia Q2 volumes increased 32% quarter-on-quarter to 7.4 million units, reflecting strong demand from customers for a broadened Lumia product range.
- Mobile Phones Q2 volumes decreased 4% quarter-on-quarter to 53.7 million units, but demonstrated some signs of recovery in the latter part of the quarter.
- HERE Q2 net sales increased 8% quarter-on-quarter to EUR 0.2 billion.

### January-June 2013 highlights:

#### **Nokia Group net sales in January-June 2013 were EUR 11.5 billion**

- Nokia Group net sales for the first half 2013 decreased 22% year-on-year.
- Reported EPS for the first half 2013 was EUR -0.13, compared to EUR -0.63 in the first half 2012.

#### **Commenting on the second quarter results, Stephen Elop, Nokia CEO, said:**

We're pleased to report an underlying operating profit for the fourth consecutive quarter on a group level. We benefited from another strong performance at Nokia Siemens Networks, which

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continued to deliver well against its focused strategy. With our recent announcement to purchase Siemens 50% stake in Nokia Siemens Networks, we believe we will create value for Nokia shareholders and look forward to strengthening Nokia Siemens Networks as a more independent entity.

In Devices & Services, our Mobile Phones business unit started to demonstrate some signs of recovery in the latter part of the second quarter following a difficult start to the year. Also, towards the end of the second quarter, we started to ship the Asha 501, which brings a new design and user experience to the highly competitive sub-100 USD market. While we are very encouraged by the consumer response to our innovations in this price category, our Mobile Phones business unit is planning to take actions to focus its product offering and improve product competitiveness.

In our Smart Devices business unit, we continue to focus on delivering meaningful differentiation to consumers around the world. We are very proud of the recent creations by our Lumia team, from the Lumia 520 our most affordable Windows Phone 8 product which has enjoyed a strong start in markets like China, France, India, Thailand, the UK, the US and Vietnam to the Lumia 1020, our star imaging product which we unveiled to the world last week. Overall, Lumia volumes grew to 7.4 million in the second quarter, the highest for any quarter so far and showing increasing momentum for the ecosystem. During the third quarter, we expect that our new Lumia products will drive a significant part of our Smart Devices revenue.

### SUMMARY FINANCIAL INFORMATION

EUR million	Reported and Non-IFRS second quarter 2013 results(1),(2),(3)				QoQ Change	Reported and Non-IFRS January-June 2013 results(1),(2),(3),(4)		
	Q2/13	Q2/12	YoY Change	Q1/13		Q1- Q2/13	Q1- Q2/12	YoY Change
<b>Nokia</b>								
Net sales	5 695	7 542	-24%	5 852	-3%	11 547	14 896	-22%
Operating profit	-115	-824		-150		-265	-2 162	
Operating profit (non-IFRS)	303	-325		181	67%	484	-583	
EPS, EUR diluted	-0.06	-0.38		-0.07		-0.13	-0.63	
EPS, EUR diluted (non-IFRS)(5)	0.00	-0.08		-0.02		-0.01	-0.16	
Net cash from operating activities	-196	102		206		10	-488	
Net cash and other liquid assets(6)	4 067	4 197	-3%	4 480	-9%	4 067	4 197	-3%
<b>Devices &amp; Services(7)</b>								
Net sales	2 724	4 023	-32%	2 888	-6%	5 612	8 269	-32%
Smart Devices net sales	1 164	1 541	-24%	1 164	0%	2 328	3 245	-28%
Mobile Phones net sales	1 405	2 291	-39%	1 590	-12%	2 995	4 602	-35%
Mobile device volume (mn units)	61.1	83.7	-27%	61.9	-1%	123.0	166.4	-26%
Smart Devices volume (mn units)	7.4	10.2	-27%	6.1	21%	13.5	22.1	-39%
Mobile Phones volume (mn units)	53.7	73.5	-27%	55.8	-4%	109.5	144.3	-24%
Mobile device ASP(8)	45	48	-6%	47	-4%	46	50	-8%
Smart Devices ASP(8)	157	151	4%	191	-18%	172	147	17%
Mobile Phones ASP(8)	26	31	-16%	28	-7%	27	32	-16%
Operating profit	-33	-473		-42		-75	-691	

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Operating profit (non-IFRS)	-32	-364		4		-28	-490	
Operating margin %	-1.2%	-11.8%		-1.5%		-1.3%	-8.4%	
Operating margin % (non-IFRS)	-1.2%	-9.0%		0.1%		-0.5%	-5.9%	
<b>HERE(7)</b>								
Net sales	233	283	-18%	216	8%	449	560	-20%
Operating profit	-89	-95		-97		-186	-189	
Operating profit (non-IFRS)	8	41	-80%	-5		3	77	-96%
Operating margin %	-38.2%	-33.6%		-44.9%		-41.4%	-33.8%	
Operating margin % (non-IFRS)	3.4%	14.5%		-2.3%		0.7%	13.7%	
<b>Nokia Siemens Networks(7)</b>								
Net sales	2 781	3 343	-17%	2 804	-1%	5 585	6 290	-11%
Operating profit	8	-226		3	167%	11	-1 230	
Operating profit (non-IFRS)	328	28		196	67%	524	-118	
Operating margin %	0.3%	-6.8%		0.1%		0.2%	-19.6%	
Operating margin % (non-IFRS)	11.8%	0.8%		7.0%		9.4%	-1.9%	

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**Note 1 relating to non-IFRS (also referred to as underlying ) results:** addition to information on our reported IFRS results, we provide certain information on a non-IFRS, or underlying business performance, basis. Non-IFRS results exclude all material special items for all periods. In addition, non-IFRS results exclude intangible asset amortization, 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 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 Q2 2013 and Q2 2012 non-IFRS results to our reported results, can be found in our complete Q2 2013 and January-June 2013 interim report with tables on pages 20 and 23-28. A reconciliation of our Q1 2013 non-IFRS results to our reported results can be found in our complete Q1 interim report with tables on pages 19 and 21-25 published on April 18, 2013.

Note 2 relating to non-IFRS exclusions:

Q2 2013 EUR 418 million (net) consisting of:

- EUR 157 million restructuring charge and other associated items in Nokia Siemens Networks.
- EUR 151 million losses related to divestments of businesses in Nokia Siemens Networks.
- EUR 10 million restructuring charge in HERE
- EUR 12 million of intangible asset amortization and other purchase price accounting related items arising from 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 accounting related items arising from the acquisition of Novarra, MetaCarta and Motally in Devices & Services

Q1 2013 EUR 331 million (net) consisting of:

- EUR 129 million restructuring charge and other associated items in Nokia Siemens Networks, including EUR 53 million of net charges related to country and contract exits based on the strategy that focuses on key markets and product segments.
- EUR 5 million restructuring charge in HERE
- EUR 72 million restructuring charge in Devices & Services
- EUR 27 million positive item from a cartel claim settlement in Devices & Services



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- EUR 64 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 accounting related items arising from the acquisition of Novarra, MetaCarta and Motally in Devices & Services

*Q2 2012 EUR 499 million (net) consisting of:*

- EUR 190 million restructuring charge and other associated items in Nokia Siemens Networks, including EUR 70 million of charges related to country and contract exits based on new strategy that focuses on key markets and product segments.

- EUR 10 million restructuring charge in HERE

- EUR 80 million restructuring charge and associated impairments of EUR 28 million in Devices & Services

- EUR 64 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 126 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 accounting related items arising from the acquisition of Novarra, MetaCarta and Motally in Devices & Services

Q2 2012 taxes EUR 800 million valuation allowance for deferred tax assets impacting Nokia taxes

*Q1 2012 EUR 1 080 million (net) consisting of:*

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- EUR 772 million restructuring charge and other associated items in Nokia Siemens Networks
- EUR 10 million restructuring charge in HERE
- EUR 91 million restructuring charge 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 120 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 accounting related items arising from the acquisition of Novarra, MetaCarta and Motally in Devices & Services

Q1 2012 taxes EUR 135 million valuation allowance for Nokia Siemens Networks deferred tax assets impacting Nokia taxes

**Note 3 relating to changes to historical comparative financials due to revised IFRS accounting standard, IAS19 Employee Benefits:** The historical comparative financials presented in the interim report include certain changes to previously reported information. These changes result from the retrospective application of a revised IFRS accounting standard IAS19, Employee Benefits and mainly relate to consolidated statements of comprehensive income and financial position. For more information on the adjustments between the previously reported information and the adjusted information, please see the related disclosure starting on page 39 of the complete Q1 2013 interim report with tables published on April 18, 2013.

**Note 4 relating to January-June 2013 results:** Further information about the results for the period from January 1 to June 30, 2013 can be found on pages 18-19, 21, 29, 30, 32 and 34 of the complete Q2 2013 and January-June 2013 interim report with tables.

**Note 5 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 1.5 Euro cent higher in Q2 2013. Going forward on a non-IFRS basis, until a pattern of tax profitability is reestablished in Finland, 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 HERE business at a 26% rate.

**Note 6 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 40 of the complete Q2 2013 and January-June 2013 interim report with tables.

**Note 7 relating to operational and reporting structure:** We have three businesses: Devices & Services, HERE and Nokia Siemens Networks and four operating and reportable segments: Smart Devices and Mobile Phones within Devices & Services, HERE 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 (IPR) income and common research and development expenses. In October 2012, we completed the divestment of Vertu to EQT VI, a European private equity firm. HERE focuses on the development of location-based services and local commerce. We introduced HERE as the new brand for our location and mapping service in November 2012. As of January 1, 2013, our Location & Commerce business and reportable segment was renamed HERE. Nokia Siemens Networks is one of the leading global providers of telecommunications infrastructure hardware, software and services, with the focus on the mobile broadband market. Nokia Siemens Networks operational organization is based on two business units: Mobile Broadband and Global Services. The Mobile Broadband business unit provides mobile operators with radio and core network software together with the hardware needed to deliver mobile voice and data services. The Global Services business unit provides mobile operators with a broad range of services, including professional services, network implementation and customer care services.

**Note 8 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. As IPR income is included in Devices & Services Other net sales, we provide our total mobile device ASP both including and excluding IPR income. The mobile device ASP excluding IPR income in the second quarter 2013 was EUR 42, down

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*11% from EUR 47 in the second quarter 2012 and down 7% from EUR 45 in the first quarter 2013.*

## NOKIA OUTLOOK

- Nokia expects its Devices & Services non-IFRS operating margin in the third 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 Devices & Services;

- consumer demand for our products;

- ramp-up for our high-end Lumia smartphones and new Mobile Phones devices;

- expected increases in Devices & Services' operating expenses; and

- the macroeconomic environment.

- In the third quarter 2013, supported by the wider availability of recently announced Lumia products as well as recently announced Mobile Phones products, Nokia expects higher Devices & Services net sales, compared to the second quarter 2013.

- 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 and Nokia Siemens Networks expect Nokia Siemens Networks non-IFRS operating margin in the third quarter 2013 to be approximately positive 7 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;

- product and regional mix;

- expected continued improvement under Nokia Siemens Networks restructuring program; and
- the macroeconomic environment.
- Nokia and Nokia Siemens Networks now target to reduce Nokia Siemens Networks non-IFRS annualized operating expenses and production overheads by more than EUR 1.5 billion by the end of 2013, compared to the end of 2011. Nokia and Nokia Siemens Networks previous target was to reduce Nokia Siemens Networks 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 TO FULLY ACQUIRE SIEMENS STAKE IN NOKIA SIEMENS NETWORKS**

On July 1, 2013, Nokia Corporation and Siemens AG announced that they have entered into a definitive agreement pursuant to which Nokia acquires Siemens entire 50% stake in their joint venture, Nokia Siemens Networks. The acquisition has been approved by the Board of Directors of Nokia as well as the Managing and Supervisory Boards of Siemens, and is subject to the customary regulatory approval process.

The purchase price for Siemens stake is EUR 1.7 billion and the transaction is expected to close during the third calendar quarter of 2013. Upon closing of the planned acquisition, Nokia Siemens Networks will become a wholly owned subsidiary of Nokia. Of the purchase price, EUR

1.2 billion will be paid in cash at the closing of the transaction. The balance of EUR 0.5 billion will be paid in the form of a secured loan from Siemens due one year from closing. Nokia has obtained committed bank financing for the EUR 1.2 billion cash portion.

Nokia will continue to consolidate Nokia Siemens Networks for financial reporting purposes as well as continue to strengthen the company as a more independent entity.

## SECOND QUARTER 2013 FINANCIAL AND OPERATING DISCUSSION

### NOKIA GROUP

*See note 7 to our Summary Financial Information table above concerning our current operational and reporting structure and note 3 concerning certain changes to historical comparative financials due to a revised IFRS accounting standard, IAS19 Employee Benefits. 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.

### SECOND QUARTER 2013 NET SALES, REPORTED & CONSTANT CURRENCY(1)

	YoY Change	QoQ Change
Group net sales reported	-24%	-3%
Group net sales - constant currency(1)	-25%	-3%
Devices & Services net sales reported	-32%	-6%
Devices & Services net sales - constant currency(1)	-33%	-6%
Nokia Siemens Networks net sales reported	-17%	-1%
Nokia Siemens Networks net sales - constant currency(1)	-17%	-1%

**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 25% year-on-year and 3% sequentially.

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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	Q2/2013	Q2/2012	YoY Change	Q1/2013	QoQ Change
Net cash from operating activities	-196	102		206	
NSN contribution (approximate)	90	160	-44%	270	-67%
Total cash and other liquid assets	9 453	9 418	0%	10 102	-6%
NSN contribution	2 519	1 846	36%	2 753	-8%
Net cash and other liquid assets(1)	4 067	4 197	-3%	4 480	-9%
NSN contribution	1 446	383	278%	1 484	-3%

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

In the second quarter 2013, Nokia Group total cash and other liquid assets decreased sequentially by EUR 649 million and Nokia Group net cash and other liquid assets decreased by EUR 413 million.

The items below are the primary drivers of the decrease in Nokia Group net cash and other liquid assets in the second quarter 2013 of EUR 413 million:

- Nokia Group level net profit adjusted for non-cash items of positive EUR 382 million;
- Nokia Group level net working capital-related cash outflows of approximately EUR 500 million, which included approximately EUR 230 million of restructuring related cash outflows;
- Nokia Group excluding Nokia Siemens Networks level net working capital-related outflows of approximately EUR 270 million, which included approximately EUR 40 million of restructuring-related outflows. The net working capital change in Nokia Group excluding Nokia Siemens Networks is primarily due to a reduction of interest free short-term liabilities, partially offset by a reduction of receivables;
- Nokia Siemens Networks level net working capital-related outflows of approximately EUR 230 million, which included approximately EUR 190 million of restructuring-related outflows. The net working capital change in Nokia Siemens Networks is primarily due to a reduction of interest free short-term liabilities, partially offset by a reduction of receivables;
- Nokia Group level net financial income and expense-related cash outflow of approximately EUR 10 million,
- Nokia Group level cash tax net outflows of approximately EUR 70 million;
- Nokia Group level capital expenditure of approximately EUR 140 million;
- Nokia Group level proceeds from the sale of fixed assets of approximately EUR 60 million;
- Nokia Group level outflow related to business divestments of approximately EUR 60 million; and
- Nokia Group level negative foreign exchange impact from translation of net cash of approximately EUR 70 million.



In the second quarter 2013, we received a quarterly platform support payment of USD 250 million (approximately EUR 192 million) from Microsoft. Our agreement with Microsoft includes platform support payments from Microsoft to us as well as software royalty payments from us to Microsoft. 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 that vary over the life of the agreement. Software royalty payments, with minimum 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. 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.

## 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

	Q2/2013	Q2/2012	YoY Change	Q1/2013	QoQ Change
Net sales (EUR million)(1)	2 724	4 023	-32%	2 888	-6%
Mobile device volume (million units)	61.1	83.7	-27%	61.9	-1%
Mobile device ASP (EUR)	45	48	-6%	47	-4%
Non-IFRS gross margin (%)	24.4%	18.1%		25.1%	
Non-IFRS operating expenses (EUR million)	696	1 089	-36%	711	-2%
Non-IFRS operating margin (%)	-1.2%	-9.0%		0.1%	
Operating margin (%)	-1.2%	-11.8%		-1.5%	

*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 second quarter 2013, Devices & Services total smartphone volumes increased sequentially to 11.7 million units, compared to 11.1 million units in the first quarter 2013, composed of:

- 7.4 million Lumia smartphones in Smart Devices



- 4.3 million Asha full-touch smartphones in Mobile Phones

Devices & Services Other

Year-on-year Devices & Services Other net sales of EUR 155 million were lower in the second quarter 2013, compared to EUR 191 million in the second quarter 2012, due to the divestment of Vertu. The sequential Devices & Services Other net sales were higher in the second quarter 2013, compared to EUR 134 million in the first quarter 2013, due to higher IPR income.

Within Devices & Services Other, we estimate that our current annual IPR income run-rate is approximately EUR 0.5 billion.

Channel Inventory

We ended the second quarter 2013 within our normal 4 to 6 week channel inventory range. On an absolute unit basis, channel inventories decreased 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	Q2/2013	Q2/2012	YoY Change	Q1/2013	QoQ Change
Europe	818	1 096	-25%	895	-9%
Middle East & Africa	420	663	-37%	501	-16%
Greater China	232	542	-57%	256	-9%
Asia-Pacific	683	948	-28%	724	-6%
North America	123	128	-4%	101	22%
Latin America	448	646	-31%	411	9%
<b>Total</b>	<b>2 724</b>	<b>4 023</b>	<b>-32%</b>	<b>2 888</b>	<b>-6%</b>

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	Q2/2013	Q2/2012	YoY Change	Q1/2013	QoQ Change
Europe	11.3	15.3	-26%	11.8	-4%
Middle East & Africa	16.6	19.4	-14%	15.5	7%
Greater China	4.1	7.9	-48%	3.4	21%
Asia-Pacific	20.2	28.6	-29%	23.1	-13%
North America	0.5	0.6	-17%	0.4	25%
Latin America	8.4	11.9	-29%	7.7	9%
<b>Total</b>	<b>61.1</b>	<b>83.7</b>	<b>-27%</b>	<b>61.9</b>	<b>-1%</b>

On a year-on-year basis, net sales decreased in all regions primarily due to lower sales in our Mobile Phones business unit. The largest year-on-year decline in net sales was in Greater China followed by Asia Pacific, Middle East & Africa and Latin America. In Greater China and Europe the net sales declines were primarily due to lower sales in our Smart Devices business unit whereas in Asia Pacific, Middle East & Africa and Latin America the net sales declines were primarily due to lower sales in our Mobile Phones business unit.

On a sequential basis, net sales decreased in all regions except North America and Latin America. The net sales increases in North America and Latin America were primarily due to higher sales in our Smart Devices business unit. The largest relative sequential decline in net sales was in Middle East & Africa which was primarily due to lower sales in our Smart Devices business unit.

At constant currency Devices & Services net sales would have decreased 33% year-on-year and 6% sequentially.

*Non-IFRS Operating Expenses*

Devices & Services non-IFRS operating expenses decreased 36% year-on-year and 2% sequentially in the second quarter 2013. On a year-on-year basis, operating expenses related to Mobile Phones and Smart Devices decreased 41% and 25%, respectively, in the second quarter 2013. On a sequential basis, operating expenses related to Mobile Phones was approximately flat, while Smart Devices operating expenses decreased 3% in the second quarter 2013. In addition to the factors described below, the year-on-year change 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. This resulted in higher and lower relative allocations to Smart Devices and Mobile Phones, respectively.

Devices & Services non-IFRS research and development expenses decreased 37% year-on-year in the second quarter 2013. On a sequential basis, Devices & Services non-IFRS research and development expenses decreased 8% in the second quarter 2013. The year-on-year decline was primarily due to reductions in certain Mobile Phones-related activities, ramping down Symbian and MeeGo research and development efforts and overall cost controls. On a sequential basis, the

decline was primarily due to lower accrued incentive expenses consistent with Devices & Services business performance as well as overall cost controls.

Devices & Services non-IFRS sales and marketing expenses decreased 38% year-on-year in the second quarter 2013. On a year-on-year basis, sales and marketing expenses declined primarily due to overall cost control, a lower cost base as a result of business divestments, headcount reductions and lower product-specific marketing. On a sequential basis, Devices & Services non-IFRS sales and marketing expenses increased 5% in the second quarter 2013. Sequentially, sales and marketing expenses increased primarily due to higher marketing spending in support of newly launched Lumia and Asha products, partially offset by lower accrued incentive expenses consistent with Devices & Services business performance.

Devices & Services non-IFRS administrative and general expenses decreased 10% year-on-year in the second quarter 2013 and decreased 7% sequentially in the second quarter 2013. The year-on-year decrease was primarily related to overall cost control and business divestments, partially offset by shared function cost categorization. The sequential decrease was primarily due to lower accrued incentive expenses consistent with Devices & Services business performance as well as overall cost controls.

In the second quarter 2013, Devices & Services non-IFRS other income and expense had both year-on-year and sequentially a positive impact on profitability.

In the second quarter 2013, Devices & Services reported other income and expense had both year-on-year and sequentially a positive impact on profitability. Both on a year-on-year and sequential basis the less negative other income and expense was due to the absence of restructuring-related charges and associated items.

#### Non-IFRS Operating Margin

The higher year-on-year Devices & Services non-IFRS operating margin in the second quarter 2013 was primarily due to higher gross margin and lower operating expenses as a percentage of net sales.

The sequentially lower Devices & Services non-IFRS operating margin in the second quarter 2013 was primarily due to a lower gross margin and higher operating expenses as a percentage of net sales.

#### Operating Margin

The higher year-on-year Devices & Services operating margin in the second quarter 2013 was primarily due to higher gross margin, lower operating expenses as a percentage of net sales. The other income and expenses was an expense of EUR 2 million, compared to an expense of EUR 112 million in the second quarter 2012.





The sequentially higher Devices & Services operating margin in the second quarter 2013 was primarily due to lower other expenses as a percentage of net sales compared to the first quarter 2013, partially offset by lower gross margin and higher operating expenses as a percentage of net sales. In the second quarter 2013, other income and expense was an expense of EUR 2 million, compared to an expense of EUR 54 million in the first quarter 2013.

Cost Reduction Activities and Planned Operational Adjustments

The following table sets forth a summary of our Devices & Services cost reduction activities and planned operational adjustments.

**DEVICES & SERVICES RESTRUCTURING SUMMARY**

EUR (million)	Q2/2013 (approximate)	Cumulative up to Q2/2013 (approximate)	Q3/2013 (approximate estimate)	2013 (approximate estimate)	Total (approximate estimate)
Restructuring-related charges		1 450	Not provided	Not provided	1 500
Restructuring-related cash outflows	40	1 250	50	250	1 350

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 second quarter 2013, Devices & Services and Corporate Common had approximately 31 400 employees, a reduction of approximately 12 200 compared to the end of the second quarter 2012, and approximately 200 compared to the end of the first quarter 2013.

By the end of the second quarter 2013, we had recorded cumulative Devices & Services restructuring-related charges and other associated items of approximately EUR 1.45 billion. In total, we expect now cumulative Devices & Services restructuring-related charges of approximately EUR 1.5 billion before the end of 2013. This is approximately EUR 100 million less than what we estimated earlier.

By the end of the second quarter 2013, Devices & Services had cumulative restructuring-related cash outflows of approximately EUR 1.25 billion. Of the total expected charges relating to restructuring activities of approximately EUR 1.5 billion, we expect Devices & Services non-cash charges to be approximately EUR 150 million. This means that we also now expect total restructuring-related cash outflows to be approximately EUR 50 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**

	Q2/2013	Q2/2012	YoY Change	Q1/2013	QoQ Change
Net sales (EUR million)(1)	1 164	1 541	-24%	1 164	0%
Smart Devices volume (million units)	7.4	10.2	-27%	6.1	21%
Smart Devices ASP (EUR)	157	151	4%	191	-18%
Gross margin (%)	21.1%	1.7%		20.7%	
Operating expenses (EUR million)(2)	406	540	-25%	420	-3%
Contribution margin (%) (2)	-14.1%	-32.9%		-16.2%	

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

**Note 2:** The year-on-year changes in operating expenses 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, resulting in higher relative allocations to Smart Devices in the first and second quarters 2013. Accordingly, second quarter 2013 operating expenses are not directly comparable to second quarter 2012 operating expenses.

Net Sales

On a year-on-year basis, the decline in our Smart Devices net sales in the second quarter 2013 was due to lower volumes, partially offset by higher ASPs.

On a sequential basis, Smart Devices net sales were flat with higher volumes offset by lower ASPs.

Volume

The year-on-year decline in our Smart Devices volumes in the second quarter 2013 continued to be driven by the strong momentum of competing smartphone platforms and our portfolio transition from Symbian products to Lumia products. The decline was primarily due to lower Symbian volumes, partially offset by higher Lumia volumes. Our Symbian volumes decreased from 6 million units in the second quarter 2012 to approximately zero in the second quarter 2013. Our Lumia volumes increased from 4.0 million in the second quarter 2012 to 7.4 million in the second quarter 2013.

On a sequential basis, the increase in our Smart Devices volumes in the second quarter 2013 was due to higher Lumia volumes, as we started shipping the Lumia 520 and 720 in significant volumes. In the second quarter 2013, the vast majority of Smart Devices volumes were from Windows Phone 8-based Lumia products.

Average Selling Price

The year-on-year increase in our Smart Devices ASP in the second quarter 2013 was primarily due to a positive mix shift towards sales of our Lumia products which carry a higher ASP than our Symbian products, partially offset by our pricing actions.

Sequentially, the decrease in our Smart Devices ASP in the second quarter 2013 was primarily due to a negative mix shift towards sales of our lower priced Windows Phone 8-based Lumia products as well as our pricing actions.

Gross Margin

The significant year-on-year increase in our Smart Devices gross margin in the second quarter 2013 was primarily due to inventory-related allowances. Specifically, in the second quarter 2013 Smart Devices gross margin benefited from the reversal of approximately EUR 20 million of previously recognized inventory-related allowances related to our Lumia devices. In contrast, in the second quarter 2012, Smart Devices gross margin was negatively impacted by approximately EUR 220 million of allowances related to excess component inventory, future purchase commitments and an inventory revaluation. In addition, the year-on-year gross margin increase was due to lower warranty costs, reduction in certain fixed costs and the introduction of Windows Phone 8-based Lumia products, partially offset by a net negative impact related to foreign currency fluctuations.

On a sequential basis, the increase in our Smart Devices gross margin in the second quarter 2013 was primarily due to a positive product mix shift towards Windows Phone 8-based Lumia products, partially offset by lower reversals related to inventory-related allowances. Specifically, in the second quarter 2013 Smart Devices gross margin benefited from the reversal of approximately EUR 20 million of previously recognized inventory-related allowances related to our Lumia devices, compared to a EUR 50 million benefit in the first quarter 2013.

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 products.

**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**

	Q2/2013	Q2/2012	YoY Change	Q1/2013	QoQ Change
Net sales (EUR million)(1)	1 405	2 291	-39%	1 590	-12%
Mobile Phones volume (million units)	53.7	73.5	-27%	55.8	-4%
Mobile Phones ASP (EUR)	26	31	-16%	28	-7%
Gross margin (%)	19.5%	24.1%		22.9%	
Operating expenses (EUR million)(2)	266	450	-41%	267	0%
Contribution margin (%) (2)	0.2%	4.3%		5.5%	

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

**Note 2:** The year-on-year changes in operating expenses were affected by the 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 Mobile Phones in the first and second quarters 2013. Accordingly, second quarter 2013 operating expenses are not directly comparable to second quarter 2012 operating expenses.

Net Sales

On a year-on-year basis, the decline in our Mobile Phones net sales in the second quarter 2013 was due to lower volumes and lower ASP. On a sequential basis, the decline in our Mobile Phones net sales in the second quarter 2013 was due to lower ASP and lower volumes.

Volume

During the second quarter 2013 we shipped 53.7 million Mobile Phones units, of which 4.3 million were Asha full-touch smartphones. During the second quarter 2013 we announced the new Asha 501 and started shipments in mid-June.

On a year-on-year basis, our Mobile Phones volumes in the second quarter 2013 were negatively affected by competitive industry dynamics, including intense smartphone competition at increasingly lower price points and intense competition at the low end of our product portfolio. Compared to the second quarter 2012, our Mobile Phones volumes declined across our portfolio, most notably for our non-full-touch devices that we sell to our customers for above EUR 30, partially offset by higher sales volumes of Asha full-touch smartphones.

On a sequential basis, our Mobile Phones volumes in the second quarter 2013 were negatively affected by competitive industry dynamics, including intense competition at the low end of our product portfolio and smartphone competition at increasingly lower price points affecting the rest of our Mobile Phones portfolio. Compared to the first quarter 2013 we had lower sales of our devices that we sell to our customers for above EUR 30. This decline was partially offset by higher sales of our devices that we sell to our customers for below EUR 30.



Average Selling Price

Both on a year-on-year and sequential basis, the decline in our Mobile Phones ASP in the second quarter 2013 was primarily due to a higher proportion of sales of lower priced devices as well as general price erosion and our pricing actions.

Gross Margin

The year-on-year decline in our Mobile Phones gross margin in the second quarter 2013 was primarily due to a negative product mix shift towards lower gross margin devices, higher fixed costs per unit because of lower sales volumes and a net negative impact related to foreign currency fluctuation. This was partially offset by higher cost erosion than price erosion.

On a sequential basis, the decrease in our Mobile Phones gross margin in the second quarter 2013 was primarily due to higher warranty costs following lower than normal warranty costs in the first quarter 2013, as well as a net negative impact related to foreign currency fluctuations.

Mobile Phones Planning Actions

Nokia continuously works to improve the efficiency of its operations and its long-term competitive investments. In order to respond to industry dynamics, Nokia's Mobile Phones business unit is planning to focus its product offering with the aim of improving product competitiveness and delivering more innovation. The planned restructure is estimated to impact a maximum of 440 positions globally, while also creating a number of new positions and offering possibilities for redeployment.

**HERE**

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



**HERE RESULTS SUMMARY**

	Q2/2013	Q2/2012	YoY Change	Q1/2013	QoQ Change
Net sales (EUR million)	233	283	-18%	216	8%
External net sales (EUR million)	195	180	8%	164	19%
Internal net sales (EUR million)	38	103	-63%	52	-27%
Non-IFRS gross margin (%)	76.1%	77.4%		75.5%	
Non-IFRS operating expenses (EUR million)	169	185	-9%	168	1%
Non-IFRS operating margin (%)	3.4%	14.5%		-2.3%	
Operating margin (%)	-38.2%	-33.6%		-44.9%	

Net Sales

In the second quarter 2013, the year-on-year increase in external HERE net sales were primarily due to higher sales to vehicle customers as well as non-recurrence of a negative sales adjustment made in the year ago quarter related to historical license fees in the normal course of business for a particular customer.

In the second quarter 2013, the sequential increase in external HERE net sales were primarily due to higher sales to vehicle customers and to a lesser extent higher sales to our personal navigation device customers.

In the second quarter 2013, the year-on-year and sequential declines in internal HERE net sales were due to declines in sales, including lower recognition of deferred revenue, primarily related to our Smart Devices business unit.

Gross Margin

On a year-on-year basis, the decrease in HERE non-IFRS gross margin in the second quarter 2013 was primarily due to lower gross margins related to internal net sales, partially offset by higher sales to our vehicle and personal navigation device customers which carry higher gross margins.

On a sequential basis, the increase in HERE non-IFRS gross margin in the second quarter 2013 was primarily due to higher sales to our vehicle and personal navigation device customers which carry higher gross margins, partially offset by lower gross margins related to internal net sales.

Operating Expenses

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HERE non-IFRS research and development expenses decreased 10% year-on-year due to cost reduction actions. On a sequential basis, research and development expenses increased 1%

in the second quarter 2013 primarily due to increased expenses related to shared function cost categorization.

HERE non-IFRS sales and marketing expenses were flat year-on-year. On a sequential basis, sales and marketing expenses increased 8% in the second quarter 2013, primarily due to greater seasonal marketing spend.

HERE non-IFRS general and administrative expenses declined 14% year-on-year primarily due to cost reduction actions. On a sequential basis, general and administrative expenses decreased 10% in the second quarter 2013 primarily due to decreased expenses related to shared function cost categorization.

HERE non-IFRS other income and expense for the second quarter 2013 was an expense of EUR 1 million, compared to an income of EUR 7 million in the second quarter 2012 and approximately zero in the first quarter 2013.

#### Non-IFRS Operating Margin

The year-on-year decrease in HERE non-IFRS operating margin in the second quarter 2013 was primarily due to higher operating expenses as a percentage of net sales and lower gross margin.

The sequential improvement in HERE non-IFRS operating margin in the second quarter 2013 was primarily due to lower operating expenses as a percentage of net sales and higher gross margin.

#### Operating Margin

The year-on-year decrease in HERE operating margin in the second quarter 2013 was primarily due to flat operating expenses as a percentage of net sales and lower gross margin. The other income and expenses was an expense of EUR 11 million, compared to an expense of EUR 3 million in the second quarter 2012.

The sequential improvement in HERE operating margin in the second quarter 2013 was primarily due to lower operating expenses as a percentage of net sales and higher gross margin. The other income and expenses was an expense of EUR 11 million, compared to an expense of EUR 5 million in the first quarter 2013.

#### **NOKIA SIEMENS NETWORKS**

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The following table sets forth a summary of the results for Nokia Siemens Networks for the periods indicated, as well as the year-on-year and sequential growth rates.

**NOKIA SIEMENS NETWORKS RESULTS SUMMARY**

	Q2/2013	Q2/2012	YoY Change	Q1/2013	QoQ Change
Net sales (EUR million)	2 781	3 343	-17%	2 804	-1%
Non-IFRS gross margin (%)	38.3%	26.6%		34.0%	
Non-IFRS operating expenses (EUR million)	766	835	-8%	763	0%
Non-IFRS operating margin (%)	11.8%	0.8%		7.0%	
Operating margin (%)	0.3%	-6.8%		0.1%	

Net Sales

The following table sets forth Nokia Siemens Networks net sales for the periods indicated, as well as the year-on-year and sequential growth rates, by geographic area.

**NOKIA SIEMENS NETWORKS NET SALES BY GEOGRAPHIC AREA**

EUR million	Q2/2013	Q2/2012	YoY Change	Q1/2013	QoQ Change
Europe	775	990	-22%	731	6%
Middle East & Africa	268	304	-12%	259	3%
Greater China	260	340	-24%	223	17%
Asia-Pacific	784	1 028	-24%	872	-10%
North America	348	300	16%	424	-18%
Latin America	346	381	-9%	295	17%
<b>Total</b>	<b>2 781</b>	<b>3 343</b>	<b>-17%</b>	<b>2 804</b>	<b>-1%</b>

In the second quarter 2013, Global Services represented approximately 52% of Nokia Siemens Networks net sales, compared to approximately 51% in the second quarter 2012 and approximately 51% in the first quarter 2013. In the second quarter 2013, Mobile Broadband represented approximately 46% of Nokia Siemens Networks net sales, compared to approximately 43% in the second quarter 2012 and approximately 44% in the first quarter 2013.

The year-on-year decrease of 17% in Nokia Siemens Networks net sales in the second quarter 2013 was partially due to divestments of businesses not consistent with Nokia Siemens Networks strategic focus, as well as the exiting of certain customer contracts and countries. Excluding these two factors, Nokia Siemens Networks net sales in the second quarter 2013 declined by approximately 11% due to reduced wireless infrastructure deployment activity, which affected both Mobile Broadband and Global Services. The year-on-year decrease in Mobile Broadband was primarily due to lower GSM and Voice and IP transformation net sales partially offset by higher LTE net sales. The year-on-year decrease in Global Services was primarily due to a reduction in network implementation activity, as some major network deployment projects near completion. On a geographical basis, the year-on-year decline was primarily due to Asia-

Pacific, Europe and Greater China. In Asia Pacific, the year-on-year net sales decline was due to lower sales in Japan following high wireless infrastructure deployment activity in the year ago quarter. In Europe, the year-on-year net sales decline was related to network modernization and constrained operator spending. In Greater China, the year-on-year decrease in net sales was due to constrained operator spending in anticipation of a technology shift to TD-LTE.

The sequential decrease in Nokia Siemens Networks net sales in the second quarter 2013 was due to divestments of businesses not consistent with Nokia Siemens Networks strategic focus as well as the exiting of certain customer contracts and countries. Excluding these two factors, Nokia Siemens Networks net sales in the second quarter 2013 increased by 4%, with higher sales in both Global Services and Mobile Broadband. The sequential increase in Global Services net sales was primarily due to higher sales in customer care services and professional services, partially offset by lower network implementation activity. The sequential increase in Mobile Broadband net sales was primarily due to higher WCDMA and GSM sales, partially offset by declines in LTE and CDMA sales. On a geographical basis, the sequential increases in Latin America, Europe and Greater China were primarily due to stronger seasonal sales. This was partially offset by sequential decreases in Asia Pacific and North America due to lower sales following high wireless infrastructure deployment activity in the previous quarter.

In the second quarter 2013, Nokia Siemens Networks net sales benefited from non-recurring IPR income of approximately EUR 20 million.

At constant currency, Nokia Siemens Networks net sales would have decreased 17% year-on-year and 1% sequentially.

#### Gross Margin

On a year-on-year basis, the increase in Nokia Siemens Networks non-IFRS gross margin in the second quarter 2013 was primarily due to higher gross margin in both Mobile Broadband and Global Services and non-recurring IPR income of approximately EUR 20 million, as well as a slightly higher proportion of Mobile Broadband within the total sales mix.

On a sequential basis, the increase in Nokia Siemens Networks non-IFRS gross margin in the second quarter 2013 was due to significantly higher gross margin in Global Services as well as non-recurring IPR income of approximately EUR 20 million, partially offset by lower gross margin in Mobile Broadband. The gross margin in Global Services benefited from a greater sequential revenue recognition triggered by certain project acceptances. Nokia Siemens Networks does not expect a similar benefit in the third quarter 2013.

#### Operating Expenses

Nokia Siemens Networks non-IFRS research and development expenses decreased 10% year-on-year and 3% sequentially in the second quarter 2013. Both on a year-on-year and sequential basis the lower non-IFRS research and development expenses were primarily due to reduced



investments in business activities that are not consistent with the Nokia Siemens Networks focused strategy as well as increased research and development efficiency, partially offset by higher investments in areas that are consistent with the Nokia Siemens Networks focused strategy most notably LTE.

On a year-on-year basis, Nokia Siemens Networks non-IFRS sales and marketing expenses decreased 16% in the second quarter 2013 primarily due to structural cost savings from Nokia Siemens Networks' transformation and restructuring program. On a sequential basis, Nokia Siemens Networks non-IFRS sales and marketing expenses increased 2% in the second quarter 2013.

Nokia Siemens Networks non-IFRS general and administrative expenses increased 19% year-on-year and 15% sequentially in the second quarter 2013. Both on a year-on-year and sequential basis, the higher non-IFRS general and administrative expenses were primarily due to costs associated with certain finance and information technology-related projects and divestments.

Nokia Siemens Networks non-IFRS other income and expense for the second quarter 2013 was income of EUR 30 million, compared to expense of EUR 25 million in the second quarter 2012, and income of EUR 7 million in the first quarter 2013. On a year-on-year basis, the non-IFRS other income and expense change was primarily due to a reduction in doubtful account allowances, gain on sale of real estate and a net positive impact related to foreign currency fluctuation. On a sequential basis, the change was primarily due to a reduction in doubtful account allowances, and a gain on sale of real estate, partially offset by a net negative impact related to foreign currency fluctuations.

#### Non-IFRS Operating Margin

In the second quarter 2013, non-IFRS operating margin for Global Services was higher than non-IFRS operating margin for Mobile Broadband.

The year-on-year increase in Nokia Siemens Networks non-IFRS operating margin in the second quarter 2013 was primarily due to higher gross margin, partially offset by higher operating expenses as a percentage of net sales. On a year-on-year basis, non-IFRS operating margin increased for both Global Services and Mobile Broadband.

The sequential increase in Nokia Siemens Networks non-IFRS operating margin in the second quarter 2013 was primarily due to higher gross margin. On a sequential basis, non-IFRS operating margin increased for Global Services.

#### Operating Margin

The year-on-year increase in Nokia Siemens Networks operating margin in the second quarter 2013 was primarily due to higher gross margin, partially offset by higher operating expenses as a percentage of net sales. The other income and expenses was an expense of EUR 278 million, compared to an expense of EUR 156 million in the second quarter 2012.





The sequential increase in Nokia Siemens Networks operating margin in the second quarter 2013 was primarily due to higher gross margin and lower operating expenses as a percentage of net sales. The other income and expenses was an expense of EUR 278 million, compared to an expense of EUR 122 million in the first quarter 2013.

On both a year-on-year and sequential basis, the decline in Nokia Siemens Networks operating expenses was primarily due to the absence of purchase price accounting-related items arising from the formation of Nokia Siemens Networks, which had been fully amortized as of the end of the first quarter 2013.

#### Global Restructuring Program

The following table sets forth a summary of Nokia Siemens Networks cost reduction activities and planned operational adjustments.

#### **NOKIA SIEMENS NETWORKS RESTRUCTURING SUMMARY**

<b>EUR (million)</b>	<b>Q2/2013 (approximate)</b>	<b>Cumulative up to Q2/2013 (approximate)</b>	<b>Q3/2013 (approximate estimate)</b>	<b>2013 (approximate estimate)</b>	<b>2014 (approximate estimate)</b>	<b>Total (approximate estimate)</b>
Restructuring-related charges	308	1 700	Not provided	Not provided	Not provided	1 800
Restructuring-related cash outflows	190	1 000	200	700	200	1 600

The reduction in operating expenses and production overheads in the second quarter 2013 contributed to the improvement in overall profitability in the quarter and is expected to contribute further cost savings in the second half of 2013. As a result of the increased savings in the first half of 2013, and an accelerated pace of execution, Nokia Siemens Networks has increased its target for a reduction in annualized operating expenses and production overheads, excluding specific items, to more than EUR 1.5 billion by the end of 2013. The reduction in operating expenses is expected from across the restructuring and transformation program. Overall savings are expected to come largely from the previously announced organizational streamlining, Nokia Siemens Networks has also targeted areas such as real estate, information technology, product and service procurement costs, overall general and administrative expenses and a significant reduction of suppliers in order to further lower costs and improve quality.

Non-cash charges and timing differences account for the differences between the above charges and the corresponding cash out-flows. Changes in estimates of timing or amounts of costs to be incurred and associated cash flows may become necessary as the transformation and restructuring program is implemented.

At the end of the second quarter 2013, Nokia Siemens Networks had approximately 50 500 employees, a reduction of approximately 12 900 compared to the end of the second quarter 2012, and approximately 6 200 compared to the end of the first quarter 2013.

## **SECOND QUARTER 2013 OPERATING HIGHLIGHTS**

*Operating highlights for previous quarters are available in the respective interim reports.*

## **DEVICES & SERVICES OPERATING HIGHLIGHTS**

- Nokia started production at its new manufacturing facility in Hanoi, Vietnam. The new site has been established to produce our most affordable Asha smartphones and feature phones.
- Nokia was ranked ninth in Interbrand's Best Global Green Brands survey, ahead of all its peers in the mobile industry.

## **SMART DEVICES**

- Nokia announced and started shipments in select markets of the Nokia Lumia 925, a new interpretation of its award-winning flagship, the Nokia Lumia 920. The Nokia Lumia 925 introduces metal for the first time to the Nokia Lumia range and includes the most advanced lens technology and next-generation imaging software to capture clearer and sharper pictures and video even in low light conditions. The Nokia Lumia 925 offers a variety of exclusive services such as Nokia Music for unlimited streaming of free playlists, integrated HERE services, and the option to add wireless charging with a snap-on wireless charging cover.
- Nokia announced the Nokia Lumia 928 smartphone, exclusive to Verizon Wireless. With a 8.7MP camera and Nokia's PureView imaging innovation, the Nokia Lumia 928 delivers superior imaging and video performance that enables people to capture bright, blur free photos and videos, even in low light conditions. The sleek and stylish smartphone comes with the latest high-end Nokia Lumia experiences, including Nokia Music, HERE services, and built-in wireless charging.
- Nokia started shipping in volumes the Nokia Lumia 520, its most affordable Windows Phone 8 smartphone, delivering experiences normally found only in high-end smartphones, such as the same digital camera lenses found on the Nokia Lumia 920, Nokia Music

for free music out of the box and even offline, and HERE services.

- Nokia's Lumia range of smartphones continued to attract businesses, including Miele & Cie. KG, a global leader in domestic appliances and commercial machinery, which has chosen the Nokia Lumia range as the smartphone of choice for its global employees.

- The Windows Phone Store continued to strengthen in terms of the quantity and quality of applications. The Windows Phone Store today offers more than 165 000 applications and games.

#### *MOBILE PHONES*

- Nokia announced and started shipments of the Nokia Asha 501, the first of a new generation of smartphones to run on the new Asha platform. Retailing at a suggested price of USD 99, the Nokia Asha 501 offers users affordable smartphone design with bold color, a high-quality build and an innovative user interface. The new Asha platform also allows developers who write applications for the Nokia Asha 501 to reach all smartphones based on the new Asha platform without having to re-write code.
- Nokia started shipments of the Nokia 105, the most affordable phone in its portfolio, retailing at a recommended price of EUR 15. The Nokia 105 is the ideal device for the first-time phone buyer, featuring a bright color screen, a flashlight, a dust- and splash-proof keymat and battery life of up to 35 days.

#### **HERE OPERATING HIGHLIGHTS**

- Rand McNally, one of the largest commercial truck routing software companies in North America, chose HERE as its preferred map provider. HERE contributes information specific to truck transportation, such as the height of a bridge overpass, road weight restrictions for trucks and posted speed limits.
- The U.S. Federal Highway Administration will use HERE Traffic covering all major highways and border crossings in the U.S. to develop performance measures.
- TRANSCOM will use HERE Traffic to support 16 government agencies with real-time traffic data in New York, New Jersey and Connecticut. This data is used by toll authorities, departments of transportation, transit agencies, and public safety organizations. It will also be used for traveler information services by the agencies.
- HERE continued to strengthen its long-lasting relationships within the automotive industry, with a number of companies choosing to integrate our automotive grade quality maps, traffic and location services. These include EUROPE: Hyundai in 15 EU countries, Ford Traffic in Germany; RUSSIA: Honda Russia, Renault Russia, Opel Russia; AMERICAS: Mitsubishi Motors North America, Inc., Toyota Argentina, Toyota Brazil; ASIA PACIFIC: Mitsubishi Australia, Nissan Australia, Honda Malaysia and Renault India.
- Spokeo, a leading online people search platform that organizes data from various sources and boasts 20 million monthly visitors, selected HERE platform for maps, satellite imagery and geocoding for North America. HERE will enable Spokeo to continue to enhance the way data is featured in maps and will deliver geo-related data to improve the overall people search experience.

- SAP selected HERE to serve as the location technology for its TwoGo car-sharing service.
  
- HERE announced traffic information for 16 new cities in Russia, a country afflicted with some of the world's worst traffic conditions. The expansion of HERE brings real-

time traffic content through broadcast radio and web to more customers in the Russian market and total HERE Traffic coverage in the country to 31 cities.

- HERE updated aerial imagery on here.com, resulting in improved resolution and more detailed views when zoomed in. HERE today provides aerial imagery of this level of resolution covering 14 million square kilometers.
- HERE increased the number of buildings for which it provides venue maps by 70%, from 29 000 to 49 000 buildings.
- HERE launched LiveSight, an augmented reality technology, for HERE Maps.
- HERE released an update of its street maps for Windows Phone 8 and here.com, providing more detail and features. The update includes better maps for a number of countries, including Tunisia, Senegal and Croatia, as well as better public transit capabilities for Hong Kong, Macau and Taiwan. With the new version, updates are simply added to the existing map, removing the need to re-download content and reducing overall data consumption.

#### **NOKIA SIEMENS NETWORKS OPERATING HIGHLIGHTS**

- Mobile broadband deal momentum continued and during the quarter Nokia Siemens Networks was selected by TIM Brasil to build its 4G LTE network ahead of the 2014 football World Cup; chosen by AIS to roll out 3G services in Thailand to meet growing demand; modernized the 3G network for M1 in Singapore; launched 4G mobile broadband services for Ooredoo in Qatar; and enabled a 4G network for Claro Chile, a wholly-owned subsidiary of the América Móvil group. Nokia Siemens Networks also completed the fourth set of interoperability testing of its GSM-Railway (GSM-R) infrastructure with another European supplier against requirements specified by the European Union (EU).
- Nokia Siemens Networks continues to invest to stay at the forefront of mobile broadband, and in May launched new software applications for the Liquid Radio WCDMA Software Suite to help mobile broadband operators manage the smartphone boom and substantially reduce the network signaling overload. Nokia Siemens Networks enhanced its Smart Wi-Fi solution to provide the industry's most comprehensive traffic steering capabilities between cellular and Wi-Fi networks. The company is also launching a new 3G Femtocell Access Point for seamless connectivity in residential areas to enable seamless connectivity and positive customer experience across all networks.
- ABI Research has ranked Nokia Siemens Networks number one in its macro base station vendor competitive assessment, with high scores in implementation and innovation, and a best-in-class rank for essential IP, advanced features, multi-protocol support and LTE RAN contracts criteria.
- Nokia Siemens Networks continues to push the limits of 4G technology with a series of unmatched speed records. In June, Nokia Siemens Networks achieved a record-breaking 56 Mbps peak upload throughput in a TD-LTE network using its commercial 4G base

station with multiple antenna technology and a single 20 MHz carrier. A1 Telekom Austria conducted a successful demonstration of LTE-Advanced carrier aggregation using



Nokia Siemens Networks current base station hardware, showcasing download speeds of far more than twice the current 4G LTE peak rates.

- With its Technology Vision 2020, Nokia Siemens Networks is implementing a hands-on innovation approach to enable mobile broadband networks to profitably deliver 1 gigabyte of personalized data per user per day by 2020. In June 2013, it was announced that Nokia Siemens Networks is putting its Technology Vision 2020 into practice, with its big data telco platform prototype analyzing 1 million live messages a second, bridging the best of IT and telco technologies.
- Nokia Siemens Networks was recognized for its progress in innovation. In May, Nokia Siemens Networks won two Emerging Technologies Awards at CTIA 2013, for its Fuel Cell solution and Liquid Applications, further strengthening the company's commitment to helping operators reduce their carbon footprints and to transforming the base station into an intelligent part of an operator's network, enabling it to serve and deliver local content. Nokia Siemens Networks was a three-time winner with its operator customers at the prestigious Global Telecoms Business Innovation Awards. The three awards, in the Wireless network infrastructure innovation category, recognized joint projects with SK Telecom (Liquid Applications), touch Telecom (centralized Network and Operations Center) and Zain Kuwait (Customer Experience Index) that demonstrated innovation to better serve the industry's end customers.
- In May, Nokia Siemens Networks opened a Global Delivery Center (GDC) hub in China. The new facility will provide tools, processes and skilled resources to remotely manage mobile broadband networks for operators in China and around the world.
- Nokia Siemens Networks has extended its Customer Experience Management (CEM) portfolio to enable operators to pinpoint their best customers by service and location. The operator, touch, selected Nokia Siemens Networks to help improve its customer experience management in Lebanon using Nokia Siemens Networks' unique operations support systems (OSS) portfolio and related integration services to transform its service operations cost-efficiently and pave the way for the operator to achieve service assurance. Zain Kuwait has deployed Nokia Siemens Networks' Customer Experience Management (CEM), to introduce a superior service experience for its mobile broadband customers.

#### **NOKIA IN JANUARY-JUNE 2013**

*The following discussion is of Nokia's reported results for January-June 2013. Comparisons are given to January-June 2012 results, unless otherwise indicated.*

The following table sets forth a summary of the reported results for the periods indicated, as well as the year-on-year growth rates.

**NOKIA GROUP RESULTS SUMMARY**

	Q1- Q2/2013	Q1- Q2/2012	YoY Change
Net sales (EUR million)	11 547	14 896	-22%
Gross margin (%)	32%	26%	
Operating expenses (EUR million)	-3 574	-4 800	-26%
Operating margin (%)	-2%	-15%	
Financial income and expense, net	-163	-177	
Tax	-185	-753	-75%
Loss	-617	-3 097	
Loss attributable to equity holders of the parent	-499	-2 336	
EPS, diluted	-0.13	-0.63	

The decline in the Nokia Group net sales in the first six months of 2013 resulted from lower net sales in Devices & Services, as well as lower net sales in Nokia Siemens Networks and HERE. Within Devices & Services the net sales of Mobile Phones declined more than net sales in Smart Devices. Mobile Phones net sales decline was due to lower volumes and ASPs, affected by competitive industry dynamics, including intense smartphone competition at increasingly lower price points and intense competition at the low end of our product portfolio. The net sales decline in Smart Devices was due to lower volumes offset by higher ASPs, affected by competitive industry dynamics including the strong momentum of competing smartphone platforms as well as our portfolio transition from Symbian products to Lumia products. The decline in HERE net sales was primarily due to a decline in internal net sales, primarily related to our Smart Devices business unit. The decline in Nokia Siemens Networks net sales was due to lower net sales in Global Services as well as lower net sales in businesses not consistent with Nokia Siemens Networks strategic focus. In addition, net sales in Mobile Broadband also declined on an overall basis, while delivering strong growth in LTE.

The increase in Nokia Group gross margin in the first six months of 2013 was primarily due to higher gross margins in Nokia Siemens Networks and Devices & Services. The HERE business gross margin was down during the same time period, due to lower internal net sales which carry higher gross margin. Nokia Siemens Networks gross margin primarily increased due to higher gross margin in both Mobile Broadband and Global Services, as well as a higher proportion of Mobile Broadband within the total sales mix. Devices & Services gross margin increased primarily due to Smart Devices, partially offset by Mobile Phones and to a lesser degree Devices & Services Other, due to the divestment of Vertu during the fourth quarter 2012.

The decrease in the Nokia Group operating expenses in the first six months of 2013 was primarily due to Devices & Services and Nokia Siemens Networks. In both Devices & Services and Nokia Siemens Networks the decrease was primarily due to structural cost savings as well as overall cost controls.

The Nokia Group net financial income and expense in the first six months of 2013 was a lower expense than in the first six months of 2012. The lower net expense was primarily due to the income received from one of Nokia's investments and lower net foreign exchange-related losses.

The Nokia Group taxes in the first six months of 2013 were significantly lower than in the first six months of 2012. The lower tax expense was primarily due to the absence of a non-cash valuation allowances related to deferred tax assets of EUR 800 million in the second quarter 2012.

The Nokia Group loss in the first six months of 2013 was a smaller loss primarily due to lower operating expenses, lower other expenses, and lower tax expense primarily due to the absence of a non-cash valuation allowances related to deferred tax assets of EUR 800 million in the second quarter 2012.

## PERSONNEL

### PERSONNEL END OF QUARTER

	Q2/2013	Q2/2012	YoY Change	Q1/2013	QoQ Change
Devices & Services and corporate common	31 376	43 610	-28%	31 617	-1%
HERE	5 919	6 624	-11%	6 030	-2%
Nokia Siemens Networks	50 476	63 328	-20%	56 670	-11%
Nokia Group	87 771	113 562	-23%	94 317	-7%

The average number of Nokia Group employees during the period from January to June 2013 was 92 874, of which the average number of employees at HERE and Nokia Siemens Networks was 6 008 and 55 045 respectively.

## SHARES

The total number of Nokia shares at June 30, 2013, was 3 744 994 342. At June 30, 2013, Nokia and its subsidiary companies owned 32 802 493 Nokia shares, representing approximately 0.9% of the total number of Nokia shares and the total voting rights.

## CONSOLIDATED INCOME STATEMENTS, EUR million

(unaudited)

	Reported 4-6/2013	Reported*) 4-6/2012	Non-IFRS 4-6/2013	Non-IFRS*) 4-6/2012
<b>Net sales</b>	<b>5 695</b>	7 542	<b>5 696</b>	7 542
Cost of sales	<b>-3 788</b>	-5 761	<b>-3 788</b>	-5 706
<b>Gross profit</b>	<b>1 907</b>	1 781	<b>1 908</b>	1 836
Research and development expenses	<b>-972</b>	-1 230	<b>-882</b>	-1 129
Selling and marketing expenses	<b>-558</b>	-887	<b>-549</b>	-793
Administrative and general expenses	<b>-228</b>	-219	<b>-228</b>	-219
Other income	<b>86</b>	61	<b>86</b>	57
Other expenses	<b>-350</b>	-330	<b>-32</b>	-77
<b>Operating loss/profit</b>	<b>-115</b>	-824	<b>303</b>	-325
Share of results of associated companies	<b>-3</b>	-4	<b>-3</b>	-4
Financial income and expenses	<b>-57</b>	-48	<b>-57</b>	-48
<b>Loss/profit before tax</b>	<b>-175</b>	-876	<b>243</b>	-377
Tax	<b>-103</b>	-651	<b>-127</b>	72
<b>Loss/profit</b>	<b>-278</b>	-1 527	<b>116</b>	-305
<b>Loss/profit attributable to equity holders of the parent</b>	<b>-227</b>	-1 408	<b>7</b>	-313
<b>Loss/profit attributable to non-controlling interests</b>	<b>-51</b>	-119	<b>109</b>	8
	<b>-278</b>	-1 527	<b>116</b>	-305
<b>Earnings per share, EUR</b> (for loss/profit attributable to the equity holders of the parent)				
Basic	<b>-0.06</b>	-0.38	<b>0.00</b>	-0.08
Diluted	<b>-0.06</b>	-0.38	<b>0.00</b>	-0.08
<b>Average number of shares (1 000 shares)</b>				
Basic	<b>3 712 177</b>	3 710 941	<b>3 712 177</b>	3 710 941
Diluted(1)	<b>3 712 177</b>	3 710 941	<b>4 009 410</b>	3 710 941
Depreciation and amortization, total	<b>219</b>	352	<b>120</b>	157
Share-based compensation expense, total	<b>13</b>	-6	<b>13</b>	-6

(1) Q2 2013 non-IFRS diluted EPS calculation includes the impact from the outstanding convertible bonds which, if converted, would have resulted in lower interest expense in Q2 2013 and higher weighted average amount of outstanding shares. The calculation also includes the dilutive effect of the outstanding share-based compensation instruments.

\*) 4-6/2012 financial accounts now reflect the retrospective application of IAS 19R, Employee Benefits.



## CONSOLIDATED INCOME STATEMENTS, EUR million

(unaudited)

	Reported 1-6/2013	Reported*) 1-6/2012	Non-IFRS 1-6/2013	Non-IFRS*) 1-6/2012
<b>Net sales</b>	<b>11 547</b>	14 896	<b>11 548</b>	14 897
Cost of sales	<b>-7 801</b>	-11 081	<b>-7 801</b>	-11 026
<b>Gross profit</b>	<b>3 746</b>	3 815	<b>3 747</b>	3 871
Research and development expenses	<b>-1 983</b>	-2 538	<b>-1 805</b>	-2 340
Selling and marketing expenses	<b>-1 151</b>	-1 761	<b>-1 078</b>	-1 558
Administrative and general expenses	<b>-440</b>	-501	<b>-440</b>	-501
Other income	<b>191</b>	98	<b>164</b>	94
Other expenses	<b>-628</b>	-1 275	<b>-104</b>	-149
<b>Operating loss/profit</b>	<b>-265</b>	-2 162	<b>484</b>	-583
Share of results of associated companies	<b>-4</b>	-5	<b>-4</b>	-5
Financial income and expenses	<b>-163</b>	-177	<b>-163</b>	-177
<b>Loss/profit before tax</b>	<b>-432</b>	-2 344	<b>317</b>	-765
Tax	<b>-185</b>	-753	<b>-231</b>	34
<b>Loss/profit</b>	<b>-617</b>	-3 097	<b>86</b>	-731
<b>Loss attributable to equity holders of the parent</b>	<b>-499</b>	-2 336	<b>-53</b>	-594
<b>Loss/profit attributable to non-controlling interests</b>	<b>-118</b>	-761	<b>139</b>	-137
	<b>-617</b>	-3 097	<b>86</b>	-731
<b>Earnings per share, EUR</b> (for loss attributable to the equity holders of the parent)				
Basic	<b>-0.13</b>	-0.63	<b>-0.01</b>	-0.16
Diluted	<b>-0.13</b>	-0.63	<b>-0.01</b>	-0.16
<b>Average number of shares (1 000 shares)</b>				
Basic	<b>3 711 827</b>	3 710 706	<b>3 711 827</b>	3 710 706
Diluted	<b>3 711 827</b>	3 710 706	<b>3 711 827</b>	3 710 706
Depreciation and amortization, total	<b>501</b>	725	<b>250</b>	324
Share-based compensation expense, total	<b>23</b>	-9	<b>23</b>	-9

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\*) 1-6/2012 financial accounts now reflect the retrospective application of IAS 19R, Employee Benefits.

**NOKIA NET SALES BY GEOGRAPHIC AREA, EUR million**

(unaudited)

<b>Reported</b>	<b>4-6/2013</b>	<b>Y-o-Y change, %</b>	<b>4-6/2012</b>	<b>1-12/2012</b>
Europe	1 673	-23	2 162	8 851
Middle-East & Africa	696	-29	975	4 145
Greater China	493	-44	884	2 894
Asia-Pacific	1 476	-26	1 984	8 186
North America	554	10	505	2 061
Latin America	803	-22	1 032	4 039
Total	5 695	-24	7 542	30 176

**NOKIA PERSONNEL BY GEOGRAPHIC AREA**

	<b>30.06.2013</b>	<b>Y-o-Y change, %</b>	<b>30.06.2012</b>	<b>31.12.2012</b>
Europe	30 258	-30	43 077	33 920
Middle-East & Africa	3 169	-27	4 367	3 582
Greater China	18 120	-14	21 008	19 033
Asia-Pacific	24 087	-10	26 655	24 650
North America	6 616	-19	8 159	6 957
Latin America	5 521	-46	10 296	9 656
Total	87 771	-23	113 562	97 798



**DEVICES & SERVICES, EUR million**

(unaudited)

	Reported 4-6/2013	Special items & PPA 4-6/2013	Non- IFRS 4- 6/2013	Reported*) 4-6/2012	Special items & PPA*) 4-6/2012	Non- IFRS*) 4-6/2012
Net sales	2 724		2 724	4 023		4 023
Cost of sales	-2 058		-2 058	-3 294		-3 294
<b>Gross profit</b>	<b>666</b>		<b>666</b>	729		729
<b>% of net sales</b>	<b>24.4</b>		<b>24.4</b>	18.1		18.1
Research and development expenses(1)	-313	1	-312	-496	1	-495
% of net sales	11.5		11.5	12.3		12.3
Selling and marketing expenses	-328		-328	-532		-532
% of net sales	12.0		12.0	13.2		13.2
Administrative and general expenses	-56		-56	-62		-62
% of net sales	2.1		2.1	1.5		1.5
Other income and expenses(2)	-2		-2	-112	108	-4
<b>Operating loss/profit</b>	<b>-33</b>	<b>1</b>	<b>-32</b>	-473	109	-364
<b>% of net sales</b>	<b>-1.2</b>		<b>-1.2</b>	-11.8		-9.0
<i>Depreciation and amortization, total</i>	<i>48</i>	<i>-1</i>	<i>47</i>	<i>65</i>	<i>-1</i>	<i>64</i>

(1) Amortization of acquired intangible assets of EUR 1 million in Q2/13 and EUR 1 million in Q2/12.

(2) Restructuring charges of EUR 80 million and associated impairments of EUR 28 million recognized in Devices & Services other in Q2/12.

\*) 4-6/2012 financial accounts now reflect the retrospective application of IAS 19R, Employee Benefits.

**HERE, EUR million**

(unaudited)

	Reported 4-6/2013	Special items & PPA 4-6/2013	Non- IFRS 4-6/2013	Reported 4-6/2012	Special items & PPA 4-6/2012	Non-IFRS 4-6/2012
Net sales(1)	233	1	234	283		283
Cost of sales	-56		-56	-64		-64
<b>Gross profit</b>	<b>177</b>	<b>1</b>	<b>178</b>	219		219
<b>% of net sales</b>	<b>76.0</b>		<b>76.1</b>	77.4		77.4
Research and development expenses(2)	-207	84	-123	-230	94	-136
% of net sales	88.8		52.6	81.3		48.1
Selling and marketing expenses(3)	-30	2	-28	-60	32	-28
% of net sales	12.9		12.0	21.2		9.9
Administrative and general expenses	-18		-18	-21		-21
% of net sales	7.7		7.7	7.4		7.4
Other income and expenses(4)	-11	10	-1	-3	10	7
<b>Operating loss/profit</b>	<b>-89</b>	<b>97</b>	<b>8</b>	-95	136	41
<b>% of net sales</b>	<b>-38.2</b>		<b>3.4</b>	-33.6		14.5
<i>Depreciation and amortization, total</i>	<i>103</i>	<i>-86</i>	<i>17</i>	<i>144</i>	<i>-126</i>	<i>18</i>

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(1) Deferred revenue related to acquisitions of EUR 1 million in Q2/13.

(2) Amortization of acquired intangibles of EUR 84 million in Q2/13 and EUR 94 million in Q2/12.

(3) Amortization of acquired intangibles of EUR 2 million in Q2/13 and EUR 32 million in Q2/12.

(4) Restructuring charges of EUR 10 million in Q2/13 and EUR 10 million in Q2/12.

**NOKIA SIEMENS NETWORKS, EUR million**

(unaudited)

	<b>Reported 4-6/2013</b>	<b>Special items &amp; PPA 4-6/2013</b>	<b>Non- IFRS 4-6/2013</b>	<b>Reported*) 4-6/2012</b>	<b>Special items &amp; PPA*) 4-6/2012</b>	<b>Non- IFRS*) 4-6/2012</b>
Net sales	<b>2 781</b>		<b>2 781</b>	3 343		3 343
Cost of sales(1)	<b>-1 717</b>		<b>-1 717</b>	-2 510		