

NOKIA CORP
Form 20-F
March 12, 2007

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As filed with the Securities and Exchange Commission on March 12, 2007.

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM 20-F
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006
Commission file number 1-13202**

Nokia Corporation
(Exact name of Registrant as specified in its charter)

Republic of Finland
(Jurisdiction of incorporation)
Keilalahdentie 4, P.O. Box 226, FIN-00045 NOKIA GROUP, Espoo, Finland
(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (the Exchange Act):

Title of each class	Name of each exchange on which registered
American Depositary Shares Shares, par value EUR 0.06	New York Stock Exchange New York Stock Exchange⁽¹⁾

⁽¹⁾ Not for trading, but only in connection with the registration of American Depositary Shares representing these shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered pursuant to Section 12(g) of the Exchange Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Exchange Act: **None**

Indicate the number of outstanding shares of each of the registrant's classes of capital or common stock as of the close of the period covered by the annual report.

Shares, par value EUR 0.06: **4 095 042 619**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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INTRODUCTION AND USE OF CERTAIN TERMS

Nokia Corporation is a public limited liability company incorporated under the laws of the Republic of Finland. In this document, any reference to we, us, the Group or Nokia means Nokia Corporation and its subsidiaries on a consolidated basis, except where we make clear that the term means Nokia Corporation or a particular subsidiary or business group only, and except that references to our shares, matters relating to our shares or matters of corporate governance refer to the shares and corporate governance of Nokia Corporation. Nokia Corporation has published its consolidated financial statements in euro for periods beginning on or after January 1, 1999. In this Form 20-F, references to EUR, euro or are to the common currency of the European Economic and Monetary Union, or EMU, and references to dollars, US dollars, USD or \$ are to the currency of the United States. Solely for the convenience of the reader, this Form 20-F contains conversions of selected euro amounts into US dollars at specified rates, or, if not so specified, at the rate of 1.3197 US dollars per euro, which was the noon buying rate in New York City for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2006. No representation is made that the amounts have been, could have been or could be converted into US dollars at the rates indicated or at any other rates.

In this Form 20-F, unless otherwise stated, references to shares are to Nokia Corporation shares, par value EUR 0.06. Our principal executive office is currently located at Keilalahdentie 4, P.O. Box 226, FIN-00045 Nokia Group, Espoo, Finland and our telephone number is +358 (0) 7 1800-8000.

Nokia Corporation furnishes Citibank, N.A., as Depositary, with consolidated financial statements and a related audit opinion of our independent auditors annually. These financial statements are prepared on the basis of International Financial Reporting Standards, or IFRS. Nokia's consolidated financial statements contain a reconciliation of net income and shareholders' equity to accounting principles generally accepted in the United States, or US GAAP. We also furnish the Depositary with quarterly reports containing unaudited financial information prepared on the basis of IFRS, as well as all notices of shareholders' meetings and other reports and communications that are made available generally to our shareholders. The Depositary makes these notices, reports and communications available for inspection by record holders of American Depositary Receipts, or ADRs, evidencing American Depositary Shares, or ADSs (one ADS represents one share), and delivers to all record holders of ADRs notices of shareholders' meetings received by the Depositary. In addition to the materials delivered to holders of ADRs by the Depositary, holders can access our consolidated financial statements, as well as other information previously included in our printed annual reports, at www.nokia.com. This Form 20-F is also available at www.nokia.com as well as on Citibank's website at <http://citibank.ar.wilink.com> (enter Nokia in the Company Name Search). Holders may also request a hard copy of this Form 20-F by calling the toll-free number 1-877-NOKIA-ADR (1-877-665-4223), or by directing a written request to Citibank, N.A., Shareholder Services, PO Box 43124, Providence RI 02940-5140, or by calling Nokia Investor Relations US Main Office at 1-914-368-0555. With each annual distribution of our proxy materials, we offer our record holders of ADRs the option of receiving all of these documents electronically in the future.

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FORWARD-LOOKING STATEMENTS

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding:

the timing of product and solution deliveries;

our ability to develop, implement and commercialize new products, solutions and technologies;

expectations regarding market growth, developments and structural changes;

expectations regarding our mobile device volume growth, market share, prices and margins;

expectations and targets for our results of operations;

the outcome of pending and threatened litigation;

expected timing, scope and effects of the merger of Nokia's and Siemens' communications service provider businesses; and

statements preceded by believe, expect, anticipate, foresee, target, estimate, designed, plans, will, expressions

are forward-looking statements.

Because these statements involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors that could cause these differences include, but are not limited to:

1. competitiveness of our product portfolio;
2. our ability to identify key market trends and to respond timely and successfully to the needs of our customers;
3. the extent of the growth of the mobile communications industry, as well as the growth and profitability of the new market segments within that industry which we target;
4. the availability of new products and services by network operators and other market participants;
5. our ability to successfully manage costs;
6. the intensity of competition in the mobile communications industry and our ability to maintain or improve our market position and respond successfully to changes in the competitive landscape;
7. the impact of changes in technology and our ability to develop or otherwise acquire complex technologies as required by the market, with full rights needed to use;
8. timely and successful commercialization of complex technologies as new advanced products and solutions;
9. our ability to protect the complex technologies, which we or others develop or that we license, from claims that we have infringed third parties' intellectual property rights, as well as our unrestricted use on commercially acceptable terms of certain technologies in our products and solution offerings;
10. our ability to protect numerous Nokia patented, standardized, or proprietary technologies from third party infringement or actions to invalidate the intellectual property rights of these technologies;

11. our ability to manage efficiently our manufacturing and logistics, as well as to ensure the quality, safety, security and timely delivery of our products and solutions;
12. inventory management risks resulting from shifts in market demand;

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13. our ability to source quality components and sub-assemblies without interruption and at acceptable prices;
14. satisfaction or waiver of the conditions to the merger of Nokia's networks business and Siemens' carrier-related operations for fixed and mobile networks to form Nokia Siemens Networks, including achievement of agreement between Nokia and Siemens on the results and consequences of a Siemens compliance review, and agreement of a number of detailed implementation steps, and closing of the transaction, and Nokia's and Siemens' ability to successfully integrate the operations, personnel and supporting activities of their respective businesses;
15. whether, as a result of investigations into alleged violations of law by some current or former employees of Siemens, government authorities or others take actions against Siemens and/or its employees that may involve and affect the carrier-related assets and employees transferred by Siemens to Nokia Siemens Networks, or there may be undetected additional violations that may have occurred prior to the transfer, or ongoing violations that may occur after the transfer, of such assets and employees that could result in additional actions by government authorities;
16. the expense, time, attention and resources of Nokia Siemens Networks and our management to detect, investigate and resolve any situations related to alleged violations of law involving the assets and employees of Siemens carrier-related operations transferred to Nokia Siemens Networks;
17. any impairment of Nokia Siemens Networks customer relationships resulting from the ongoing government investigations involving the Siemens carrier-related operations transferred to Nokia Siemens Networks;
18. developments under large, multi-year contracts or in relation to major customers;
19. general economic conditions globally and, in particular, economic or political turmoil in emerging market countries where we do business;
20. our success in collaboration arrangements relating to development of technologies or new products and solutions;
21. the success, financial condition and performance of our collaboration partners, suppliers and customers;
22. any disruption to information technology systems and networks that our operations rely on;
23. exchange rate fluctuations, including, in particular, fluctuations between the euro, which is our reporting currency, and the US dollar, the Chinese yuan, the UK pound sterling and the Japanese yen, as well as certain other currencies;
24. the management of our customer financing exposure;
25. allegations of possible health risks from electromagnetic fields generated by base stations and mobile devices and lawsuits related to them, regardless of merit;
26. unfavorable outcome of litigations;

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27. our ability to recruit, retain and develop appropriately skilled employees; and

28. the impact of changes in government policies, laws or regulations;
as well as the risk factors specified in this annual report on Form 20-F under Item 3.D Risk Factors.
Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Nokia does not undertake any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A Selected Financial Data

The financial data set forth below at December 31, 2005 and 2006 and for each of the years in the three-year period ended December 31, 2006 have been derived from our audited consolidated financial statements included in Item 18 of this annual report on Form 20-F. Financial data at December 31, 2002 and 2003, and December 31, 2004, and for each of the years in the two-year period ended December 31, 2003 have been derived from Nokia's previously published audited consolidated financial statements not included in this document.

The financial data at December 31, 2005 and 2006 and for each of the years in the three-year period ended December 31, 2006 should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements.

The audited consolidated financial statements from which the selected consolidated financial data set forth below have been derived were prepared in accordance with IFRS, and net income and shareholders' equity have been reconciled to US GAAP, which differs in some respects from IFRS. For a discussion of the principal differences between IFRS and US GAAP, see Item 5.A Operating Results Results of Operations Principal Differences Between IFRS and US GAAP and Note 38 to our audited consolidated financial statements.

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	Year ended December 31,					
	2002	2003	2004	2005	2006	2006
	(EUR)	(EUR)	(EUR)	(EUR)	(EUR)	(USD)
	(in millions, except per share data)					
Profit and Loss Account Data						
<i>Amounts in accordance with IFRS</i>						
Net sales	30 016	29 533	29 371	34 191	41 121	54 267
Operating profit	4 780	4 960	4 326	4 639	5 488	7 243
Profit before tax	4 917	5 294	4 705	4 971	5 723	7 553
Profit attributable to equity holders of the parent	3 381	3 543	3 192	3 616	4 306	5 683
Earnings per share (for profit attributable to equity holders of the parent)						
Basic earnings per share	0.71	0.74	0.69	0.83	1.06	1.40
Diluted earnings per share	0.71	0.74	0.69	0.83	1.05	1.39
Cash dividends per share ⁽¹⁾	0.28	0.30	0.33	0.37	0.43	0.57
Average number of shares (millions of shares)						
Basic	4 751	4 761	4 593	4 366	4 063	4 063
Diluted	4 788	4 761	4 600	4 371	4 087	4 087
<i>Amounts in accordance with US GAAP</i>						
Net income	3 603	4 097	3 343	3 582	4 275	5 642
Earnings per share (net income)						
Basic earnings per share	0.76	0.86	0.73	0.82	1.05	1.39
Diluted earnings per share	0.75	0.86	0.73	0.82	1.05	1.39
Balance Sheet Data						
<i>Amounts in accordance with IFRS</i>						
Fixed assets and other non-current assets ⁽²⁾	5 896	3 991	3 315	3 501	4 031	5 320
Cash and other liquid assets ⁽³⁾	9 351	11 296	11 542	9 910	8 537	11 266
Other current assets	8 234	8 787	7 966	9 041	10 049	13 262
Total assets	23 481	24 074	22 823	22 452	22 617	29 848
Capital and reserves attributable to equity holders of the parent ⁽²⁾	14 435	15 302	14 385	12 309	11 968	15 794
Minority interests	173	164	168	205	92	121
Long-term interest-bearing liabilities	187	20	19	21	69	91
Other long-term liabilities	274	308	275	247	327	432
Borrowings due within one year	377	471	215	377	247	326
Other current liabilities	8 035	7 809	7 761	9 293	9 914	13 084
Total shareholders' equity and liabilities	23 481	24 074	22 823	22 452	22 617	29 848
Net interest-bearing debt ⁽⁴⁾	(8 787)	(10 805)	(11 308)	(9 512)	(8 221)	(10 849)
Share capital	287	288	280	266	246	325
<i>Amounts in accordance with US GAAP</i>						
Total assets ⁽²⁾	23 041	24 109	22 985	22 725	22 835	30 135
Shareholders' equity ⁽²⁾	14 214	15 501	14 640	12 622	12 112	15 984

- (1) The cash dividend for 2006 is what the Board of Directors will propose for shareholders' approval at the Annual General Meeting convening on May 3, 2007.
- (2) Total assets and shareholders' equity have each been increased by EUR 154 million for all periods presented to adjust for income tax-related items in periods prior to 2002. These increases were recorded in connection with a change in the method by which the company assesses materiality. See Notes 1 and 38 to our consolidated financial statements included in Item 18 of this annual report on Form 20-F.

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- (3) Cash and other liquid assets consist of the following captions from our consolidated balance sheets: (1) bank and cash, (2) available-for-sale investments, cash equivalents, and (3) available-for-sale investments, liquid assets.
- (4) Net interest-bearing debt consists of borrowings due within one year and long-term interest-bearing liabilities, less cash and other liquid assets.

Distribution of Earnings

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

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

Share Buy-backs

Under the Finnish Companies Act, Nokia Corporation may repurchase its own shares pursuant to either a shareholders resolution or an authorization to the Board of Directors approved by the company's shareholders. The authorization may amount to a maximum of 10% of all the shares of the company (up to 5% until 2005) and its maximum length is 18 months (up to 12 months until 2006). The Board of Directors of Nokia has been regularly authorized by our shareholders in the Annual General Meetings to repurchase Nokia's own shares since 2001, and during the past three years the authorization covered 230 million shares in 2004, 443.2 million shares in 2005 and 405 million shares in 2006. The amount authorized each year has been at or slightly under the maximum limit provided by the Finnish Companies Act.

On January 25, 2007, we announced that the Board of Directors will propose for shareholders' approval at the Annual General Meeting, convening on May 3, 2007, a new authorization to repurchase a maximum of 380 million shares which corresponds to less than 10% of Nokia's share capital and total voting rights.

The table below sets forth actual share buy-backs by the Group in respect of each fiscal year indicated.

	Number of shares	EUR millions (in total)
2002	900 000	17
2003	95 338 500	1 363
2004	214 119 700	2 661
2005	315 010 000	4 265
2006	212 340 000	3 412

For more information about share buy-backs during 2006, see Item 16E Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

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On January 25, 2007, we announced that the Board of Directors will propose for shareholders' approval at the Annual General Meeting convening on May 3, 2007 a dividend of EUR 0.43 per share in respect of 2006.

The table below sets forth the amounts of total cash dividends per share and per ADS paid in respect of each fiscal year indicated. For the purposes of showing the US dollar amounts per ADS for 2002-2006, the dividend per share amounts have been translated into US dollars at the noon buying rate in New York City for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York (the noon buying rate) on the respective dividend payment dates.

	EUR per share	USD per ADS	EUR millions (in total)
2002	0.28	0.30	1 341
2003	0.30	0.36	1 439
2004	0.33	0.43	1 539
2005	0.37	0.46	1 641
2006	0.43 ⁽¹⁾	⁽²⁾	1 761 ⁽¹⁾

⁽¹⁾ To be proposed by the Board of Directors for shareholders' approval at the Annual General Meeting convening on May 3, 2007.