NOKIA CORP
Form 6-K
May 10, 2016

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 May 10, 2016

(Commission File No. 1-13202)

Nokia Corporation

Karaportti 3

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Finland

(Name and address of registrant s principal executive office)

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

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

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

Yes: o **No**: x

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

Yes: o **No**: x

Enclosures:

Nokia stock exchange release dated May 10, 2016: Nokia Corporation Interim Report for Q1 2016

INTERIM REPORT

May 10, 2016

Nokia Corporation Interim Report for Q1 2016

Non-IFRS financial results benefitted from expanded portfolio and continuation of solid execution

Nokia Corporation

Interim Report

May 10, 2016 at 08:00 (CET +1)

This is a summary of the Nokia Corporation interim report for first quarter 2016 published today. The complete interim report for first quarter 2016 with tables is available at http://nokia.com/financials. Investors should not rely on summaries of our interim reports only, but should review the complete interim reports with tables.

FINANCIAL HIGHLIGHTS

- Non-IFRS net sales in Q1 2016 of EUR 5.6 billion. In the year-ago quarter, non-IFRS net sales would have been EUR 6.1 billion on a comparable combined company basis.

- Non-IFRS diluted EPS in Q1 2016 of EUR 0.03. Q1 2016 reflected the acquisition of Alcatel-Lucent, which resulted in a higher share count, as well as higher non-IFRS tax expenses due to unfavorable changes in the regional profit mix. Note that Nokia s Q1 2016 non-IFRS diluted EPS was reported as a combined company, whereas the Q1 2015 non-IFRS diluted EPS of EUR 0.05 was reported on a Nokia stand-alone basis.

- In Q1 2016, the net cash and other liquid assets of the combined company increased by EUR 471 million, to EUR 8.2 billion, compared to Nokia on a standalone basis at the end of Q4 2015, primarily due to the acquisition of Alcatel-Lucent, partially offset by cash outflows related to working capital.

Nokia s Networks business

- 8% year-on-year net sales decrease in Q1 2016. Our performance was primarily due to Ultra Broadband Networks, which declined 12% year-on-year and 27% sequentially, consistent with our outlook for a greater than normal seasonal decline in the wireless infrastructure market in Q1 2016. IP Networks and Applications grew on a year-on-year basis.

- Strong non-IFRS gross margin of 38.3% in Q1 2016 primarily due to improved product mix in Ultra Broadband Networks (led by Mobile Networks) and IP Networks and Applications (led by IP/Optical Networks), as well as efficiency gains.

- Non-IFRS operating margin of 6.5% in Q1 2016. The year-on-year increase of 2.8 percentage points was primarily due to the higher non-IFRS gross margin, as well as continued focus on execution excellence.

Nokia Technologies

- 27% year-on-year net sales decrease in Q1 2016. Our performance was affected by the absence of the following three items which benefitted Q1 2015: non-recurring adjustments to accrued net sales from existing agreements, revenue share related to previously divested intellectual property rights (IPR), and IPR divestments. Excluding these three items, net sales increased year-on-year by approximately 10% due to higher intellectual property licensing income.

First quarter 2016 results compared to combined company historicals. See note 1 to the financial statements for further details(1),(2)

EUR million	Q1 16	Combined company historicals(2) Q1 15	YoY change	Combined company historicals(2) Q4 15	QoQ change
Net sales constant currency (non-IFRS)			*(9)%*		*(27)%*
Net sales (non-IFRS)	**5 603**	6 129	(9)%	7 719	(27)%
Nokia s Networks business	**5 181**	5 662	(8)%	7 057	(27)%
Ultra Broadband Networks	**3 729**	4 227	(12)%	5 081	(27)%
IP Networks and Applications	**1 452**	1 435	1%	1 976	(27)%
Nokia Technologies	**198**	273	(27)%	413	(52)%
Group Common and Other	**236**	203	16%	254	(7)%
Gross profit (non-IFRS)	**2 205**	2 264	(3)%	3 272	(33)%
Gross margin % (non-IFRS)	***39.4%***	*36.9%*	*250bps*	*42.4%*	*(300)bps*
Operating profit (non-IFRS)	**345**	276	25%	1 279	(73)%
Nokia s Networks business	**337**	209	61%	1 097	(69)%
Ultra Broadband Networks	**234**	168	39%	702	(67)%
IP Networks and Applications	**103**	42	145%	396	(74)%
Nokia Technologies	**106**	178	(40)%	311	(66)%
Group Common and Other	**(99)**	(111)		(129)	
Operating margin % (non-IFRS)	***6.2%***	*4.5%*	*170bps*	*16.6%*	*(1 040)bps*

First quarter 2016 results compared to Nokia standalone historicals. See note 1 to the financial statements for further details(1),(3)

EUR million (except for EPS in EUR)	Q1 16	Nokia standalone historicals(3) Q1 15	YoY change	Nokia standalone historicals(3) Q4 15	QoQ change
Profit (non-IFRS)	**139**	184	(24)%	575	(76)%
(Loss)/profit	**(613)**	169		499	
EPS, diluted (non-IFRS)	**0.03**	0.05	(40)%	0.15	(80)%
EPS, diluted	**(0.09)**	0.05		0.13	
Net cash and other liquid assets	**8 246**	4 672	76%	7 775	6%

(1) Results are as reported unless otherwise specified. The results information in this report is unaudited. Non-IFRS results exclude costs related to the Alcatel-Lucent transaction, goodwill impairment charges, intangible asset amortization and purchase price related items, restructuring related costs, and certain other items that may not be indicative of Nokia s underlying business performance. For Q1 2016 details, please refer to the year to date discussion in the complete interim report and note 2, Non-IFRS to reported reconciliation , in the notes to the financial statements attached to the complete interim report. A reconciliation of the Q1 2015 and the Q4 2015 non-IFRS combined company results to the reported results can be found in the Nokia provides recast segment results for 2015 reflecting new financial reporting structure stock exchange release published on April 22, 2016.

(2) Combined company historicals reflect Nokia s new operating and financial reporting structure, including Alcatel-Lucent, and are presented as additional information as described in the stock exchange release published on April 22, 2016. For

more information on the combined company historicals, please refer to note 1, Basis of Preparation , in the notes to the financial statements attached to the complete interim report.

(3) Nokia standalone historicals are the recasting of Nokia s historical standalone financial results, reflecting Nokia s updated segment reporting structure, excluding Alcatel-Lucent. Beginning from the first quarter 2016, Nokia results include those of Alcatel-Lucent on a consolidated basis. Accordingly, Nokia results beginning from the first quarter 2016 are not directly comparable to prior period Nokia standalone results.

SUBSEQUENT EVENTS

Nokia launches headcount reductions as part of global synergy and transformation program

Nokia announced that it has started actions to reduce company personnel globally as part of its synergy and transformation program.

The headcount reductions are expected to take place between now and the end of 2018, consistent with Nokia s synergy target timeline. Reductions will come largely in areas where there are overlaps, as Nokia outlined on October 29, 2015. At the same time, Nokia is taking steps to adapt to challenging market conditions and to shift resources to future-oriented technologies such as 5G, the Cloud and the Internet of Things. As part of the program, Nokia also continues to target savings in real estate, services, procurement, supply chain and manufacturing.

Nokia plans to acquire Withings to accelerate entry into Digital Health

Nokia announced plans to acquire Withings S.A. (Withings), a pioneer and leader in the connected health revolution with a family of award-winning digital health products and services to help people all over the world lead healthier, happier and more productive lives. Withings has approximately 200 employees and will be part of our Nokia Technologies business.

With this acquisition, Nokia is strengthening its position in the Internet of Things in a way that leverages the power of the trusted Nokia brand, fits with the Nokia s purpose of expanding the human possibilities of the connected world, and puts Nokia at the heart of a very large addressable market.

The planned transaction values Withings at EUR 170 million, would be settled in cash and is expected to close in early Q3 2016 subject to regulatory approvals and customary closing conditions.

CEO STATEMENT

Nokia s first quarter results demonstrate the strategic value of our combination with Alcatel-Lucent.

I am pleased that we were able to deliver solid profitability in what is typically a seasonally weak quarter and at a time when the risk of integration-related disruption was high. While our revenue decline was disappointing, the shortfall was largely driven by Mobile Networks, where the challenging environment is not a surprise. We noted in our Q4 2015 earnings release that we expected some market headwinds in 2016 in the wireless sector and we continue to hold that view today.

Based on our current assessment, we expect a full year 2016 non-IFRS operating margin above 7% in the Networks business. When looking at the first half of the year, we do not expect typical seasonal patterns to occur given likely market conditions in the second quarter and our ongoing integration of Alcatel-Lucent.

While integrations of the scale of Alcatel-Lucent are complex and take time, we are now sufficiently confident in our progress that we are targeting synergies that are both more than and faster than our original plan. We already have agreed transition plans that cover the most pressing areas of portfolio overlap with most of our top customers; have begun the process of reducing over-lapping personnel including initial reductions in the United States and several other countries; started to consolidate our real estate footprint with several sites already closed and thirty more scheduled for the current quarter; and completed 40 projects with suppliers to drive procurement savings, with 200 more projects currently underway and plans for hundreds of additional projects to be launched largely over the course of Q2 2016.

I am also pleased that we continue to see strong support from our customers, including those from the former Alcatel-Lucent. We are focused on capitalizing on these opportunities through strengthening our sales execution, as well as bringing unique innovation rapidly to market, such as our recently announced 5G-ready AirScale radio access family of products.

On a final note, I am excited that the team from Withings will be joining Nokia, as part of Nokia Technologies. We have said consistently that digital health is an area of strategic interest to us, and with this acquisition we have an excellent opportunity to expand in what is one of the largest markets in the Internet of Things and build future licensing opportunities.

Rajeev Suri
President and CEO

FINANCIAL DISCUSSION

The following discussion is of Nokia s results for the first quarter 2016, which comprise the results of Nokia s businesses Nokia s Networks business (including Ultra Broadband Networks and IP Networks and Applications) and Nokia Technologies, as well as Group Common and Other. For more information on the recent changes to our reportable segments, please refer to note 3, Segment information and eliminations , in the notes to the financial statements attached to the complete interim report. Comparisons are given to the first quarter 2015 and fourth quarter 2015 results on a combined company basis, unless otherwise indicated.

This data has been prepared to reflect the financial results of the continuing operations of Nokia as if the new financial reporting structure had been in operation for the full year 2015. Certain accounting policy alignments, adjustments and reclassifications have been necessary, and these are explained in the Basis of preparation section of the stock exchange release published on April 22, 2016. These adjustments include also reallocation of items of costs and expenses based on their nature and changes to the definition of the line items in the combined company accounting policies, which affect also numbers presented in these interim financial statements for 2015. For more information on the combined company historicals, please refer to note 1, Basis of Preparation , in the notes to the financial statements attached to the complete interim report.

Non-IFRS Net sales

Nokia non-IFRS net sales decreased 9% year-on-year and decreased 27% sequentially. On a constant currency basis, Nokia non-IFRS net sales would have decreased 9% year-on-year and would have decreased 27% sequentially.

Year-on-year discussion

The year-on-year decrease in Nokia non-IFRS net sales in the first quarter 2016 was primarily due to lower net sales in Nokia s Networks business and Nokia Technologies.

Sequential discussion

The sequential decrease in Nokia non-IFRS net sales in the first quarter 2016 was primarily due to lower net sales in Nokia s Networks business and Nokia Technologies.

Non-IFRS Operating profit

Year-on-year discussion

Nokia non-IFRS operating profit increased primarily due to lower non-IFRS research and development (R&D) expenses and a net positive fluctuation in non-IFRS other income and expenses, partially offset by lower non-IFRS gross profit.

The lower non-IFRS gross profit was primarily due to Nokia Technologies partially offset by Nokia s Networks business.

The lower non-IFRS R&D expenses was primarily due to Nokia s Networks business and Nokia Technologies.

Nokia non-IFRS other income and expenses was an expense of EUR 15 million in the first quarter 2016, compared to an expense of EUR 49 million in the year-ago quarter. On a year-on-year basis, the change was primarily due to Group Common and Other, as well as Nokia s Networks business.

Sequential discussion

Nokia non-IFRS operating profit decreased primarily due to lower non-IFRS gross profit, partially offset by lower non-IFRS R&D expenses and non-IFRS selling, general and administrative (SG&A) expenses.

The lower non-IFRS gross profit was primarily due to Nokia s Networks business and Nokia Technologies.

The lower non-IFRS R&D expenses was primarily due to Nokia s Networks business.

The lower non-IFRS SG&A expenses was primarily due to Nokia s Networks business.

Nokia non-IFRS other income and expenses was an expense of EUR 15 million in the first quarter 2016, compared to an income of EUR 20 million in the fourth quarter 2015. On a sequential basis, the change was primarily due to Nokia s Networks business, partially offset by Group Common and Other.

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OUTLOOK

	Metric	Guidance	Commentary
Nokia	Annual operating cost synergies	Above EUR 900 million of net operating cost synergies to be achieved in full year 2018 (update)	Compared to the combined non-IFRS operating costs of Nokia and Alcatel-Lucent for full year 2015. Expected to be derived from a wide range of initiatives related to operating expenses and cost of sales, including: • Streamlining of overlapping products and services, particularly within the Mobile Networks business group; • Rationalization of regional and sales organizations; • Rationalization of overhead, particularly within manufacturing, supply-chain, real estate and information technology; • Reduction of central function and public company costs; and • Procurement efficiencies, given the combined company s expanded purchasing power. This is an update to the earlier annual operating cost synergies outlook of approximately EUR 900 million of net operating cost synergies to be achieved in full year 2018.
	FY16 Non-IFRS financial income and expense	Expense of approximately EUR 300 million	Primarily includes net interest expenses related to interest-bearing liabilities, interest costs related to the defined benefit pension and other post-employment benefit plans, as well as the impact from changes in foreign exchange rates on certain balance sheet items. This outlook may vary subject to changes in the above listed items.
	FY16 Non-IFRS tax rate	Above 40% for full year 2016	The increase in the non-IFRS tax rate for the combined company, compared to Nokia on a standalone basis, is primarily attributable to unfavorable changes in the regional profit mix as a result of the acquisition of Alcatel-Lucent. This outlook is for full year 2016; the quarterly non-IFRS tax rate is expected to be subject to volatility, primarily influenced by fluctuations in profits

		made by Nokia in different tax jurisdictions. Nokia expects its effective long-term non-IFRS tax rate to be clearly below the full year 2016 level, and intends to provide further commentary later in 2016.