

NOKIA CORP
Form 6-K
October 20, 2005

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 October 20, 2005

Nokia Corporation

Nokia House

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(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

Enclosures:

1. Nokia Stock Exchange Release dated October 20, 2005 and titled: Nokia reports Q3 2005 net sales of EUR 8.4 billion and EPS EUR 0.20
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PRESS RELEASE

October 20, 2005

Nokia reports Q3 2005 net sales of EUR 8.4 billion and EPS EUR 0.20**Year-on-year sales growth of 18%, driven by record volumes and strong execution in mobile devices****NOKIA IN THE THIRD QUARTER 2005 AND JAN to SEPT 2005**

EUR million	Q3/2005*	Q3/2004 Revised **	Change (%)	Jan - Sept 2005	Jan - Sept 2004 Revised**	Change (%)
Net sales	8 403	7 104	18	23 858	19 915	20
Mobile Phones	5 203	4 520	15	14 594	12 650	15
Multimedia	1 447	931	55	3 957	2 404	65
Enterprise Solutions	203	175	16	708	544	30
Networks	1 555	1 524	2	4 606	4 400	5
Operating profit	1 149	969	19	3 271	2 876	14
Mobile Phones	880	848	4	2 538	2 679	-5
Multimedia	245	93	163	526	7	
Enterprise Solutions	-37	-69		-122	-166	
Networks	157	197	-20	587	578	2
Common Group Expenses	-96	-100		-258	-222	
Operating margin (%)	13.7	13.6		13.7	14.4	
Mobile Phones (%)	16.9	18.8		17.4	21.2	
Multimedia (%)	16.9	10.0		13.3	0.3	
Enterprise Solutions (%)	-18.2	-39.4		-17.2	-30.5	
Networks (%)	10.1	12.9		12.7	13.1	
Financial income and expenses	63	78	-19	244	289	-16
Profit before tax and minority interests	1 218	1 041	17	3 518	3 149	12
Net profit	881	685	29	2 543	2 109	21
EPS, EUR						
Basic	0.20	0.15	33	0.58	0.46	26
Diluted	0.20	0.15	33	0.58	0.46	26

***Q3 2005 special items**

Nokia's operating profit includes special items totaling EUR 87 million, comprised of:

a EUR 61 million gain related to the divestiture of Nokia's Tetra business (EUR 42 million in Networks and EUR 19 million in Multimedia)

a EUR 8 million gain related to real estate sales booked in the group common expenses

a EUR 18 million gain related to the partial sale of a minority investment booked in Networks.

The positive impact of these special items on third quarter 2005 EPS was EUR 0.015.

Q3 2004 special items

Special items in the third quarter 2004 had a net negative impact on operating profit of EUR 18 million, comprised of R&D impairments in Networks of EUR 38 million and a gain of EUR 20 million booked in common group expenses related to a premium return under our multi-line, multi-year insurance program that expired during 2004. The net impact of these special items on third-quarter 2004 EPS was negligible.

**** New IFRS Standards**

International Financial Reporting Standards (IFRS) were subject to changes as of January 1, 2005. Nokia's financial accounts for the third quarter and first nine months of 2004 now reflect the retrospective implementation of IFRS 2 and IAS 39R.

JORMA OLLILA, CHAIRMAN AND CEO:

I was pleased to see strong year-on-year sales growth for the third quarter in a row. Our overall sales growth of 18% was accompanied by an increase in net profit of 29% and resulting in EPS growth of 33%. Profitability was driven by an excellent performance from our device businesses. This was backed by growing strength in our product portfolio and our ability to manage costs and execute well.

Overall industry volume growth for the third quarter continued to exceed our expectations at 199 million units. We have again raised our full year market estimate to approximately 780 million units. Our own third-quarter volumes grew to a record 66.6 million units.

We saw growth in our market share, which reached an estimated 33%, up from 32% in the third quarter last year and stable sequentially. We continued to gain share both sequentially and year on year in China and Asia Pacific, while our share in Europe/Middle East/Africa was stable sequentially and grew year on year. In Latin America and to a lesser extent North America our market share declined sequentially.

As we indicated in July, profitability in our Networks business during the third quarter continued to be under pressure. This was largely due to the combined effects of a fiercely competitive market, our investments into building a presence in the growing network services market and our ongoing push into new growth markets.

In mobile devices, we have been making excellent progress in expanding and upgrading our product offering, which is the broadest in the market and caters to all relevant consumers and trade customers globally. Recent launches include mobile devices for business users, a fold phone targeting high-growth markets, music-optimized phones, and even a fashion collection. Earlier this summer, we also sold our one billionth mobile phone – a Nokia 1100 in Nigeria.

INDUSTRY DEVELOPMENTS AND NOKIA Q4 OUTLOOK

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Based on volume developments during the third quarter 2005, Nokia now expects the overall mobile device market for the full year to reach approximately 780 million units, compared with our previous estimate of 760 million units, and up from an estimated 643 million units in 2004. Industry volumes in the fourth quarter 2005 are expected to reflect the usual holiday seasonality and grow compared with the third quarter 2005.

Nokia mobile device volume growth is expected to exceed overall market growth in the fourth quarter, with Nokia's market share expected to increase both year on year and sequentially.

Industry volume growth is expected to come primarily from an expanding mobile subscriber base in developing markets, where Nokia believes it has a strong volume advantage backed by its brand, quality and broad distribution presence. In more developed markets, replacement and upgrade sales continue to be driven by the availability of new features, services and cameras. Nokia continues to expand and upgrade its portfolio of mid- and high-end devices to capitalize on this.

We expect Nokia's average selling prices in the fourth quarter to decline sequentially. This is primarily because mobile device volumes from Latin and North America, where low-end products predominate, are expected to represent a significantly higher proportion of Nokia's overall device volumes in the fourth quarter, compared with the third quarter.

In mobile infrastructure, Nokia now expects the overall market in 2005 to show slight to moderate growth compared with 2004 in euro terms. Operators in developing countries are at various stages of acceleration in their capacity upgrades to meet rising subscriber growth, while in advanced markets, there is ongoing targeted investment in capacity and network optimization. Nokia expects its own networks sales to be down year on year when compared to the exceptionally strong sales generated by operator year-end spending in the fourth quarter of 2004, but also due to the fact that a significant amount of operators' current investment is taking place in markets where Networks has not historically had a major presence, such as the Middle East and Africa.

Q3 2005 FINANCIAL HIGHLIGHTS

(Comparisons are given to the third-quarter 2004 results, unless otherwise indicated.)

Nokia Group

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Nokia's third-quarter 2005 group net sales increased by 18% to EUR 8.4 billion, compared with EUR 7.1 billion in the third quarter 2004. At constant currency, group net sales would have increased by 23%. All four of Nokia's business groups contributed to this year-on-year sales growth.

Nokia's third-quarter 2005 operating profit grew 19% year on year to EUR 1.1 billion (including the positive impact of special items of EUR 87 million), compared with EUR 969 million in the third quarter 2004 (including a net negative impact of special items of EUR 18 million). Nokia's third-quarter 2005 operating margin was 13.7% (13.6%).

Operating cash flow for the third quarter 2005 was EUR 1.2 billion, compared with EUR 510 million for the second quarter 2005, and total combined cash and other liquid assets were EUR 11.0 billion, compared with EUR 11.2 billion at June 30, 2005. As of September 30, 2005, our net debt-equity ratio (gearing) was -82%, compared with -80% at June 30, 2005.

Mobile devices

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In the third quarter 2005, the total mobile device volume achieved by our Mobile Phones, Multimedia and Enterprise Solutions business groups reached 66.6 million units, representing 29.5% year-on-year growth and 9.5% sequential growth. Overall industry volume for the same period reached an estimated 199 million units, representing 25% year-on-year growth and 9% sequential growth.

In smartphones, according to Nokia estimates, the total industry volume reached about 14 million units for the third quarter 2005, compared with an estimate of 5.2 million units in the third quarter 2004. Nokia's own smartphone volume grew to 7.1 million units, compared with 2.9 million units in the third quarter 2004.

The following chart sets out Nokia's mobile device volume for the periods indicated as well as the year-on-year and sequential growth rates by geographic area.

NOKIA MOBILE DEVICE VOLUME BY GEOGRAPHIC AREA

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(million units)	Q3 2005	Q3 2004	YoY Change (%)	Q2 2005	QoQ Change (%)
Europe/Middle East/Africa	32.2	24.7	30	27.8	16
China	8.5	4.6	87	7.4	15
Asia Pacific	12.6	8.8	43	10.5	20
North America	5.8	6.6	-13	6.0	-3
Latin America	7.5	6.7	11	9.1	-18
Total	66.6	51.4	29	60.8	9

Strong volume growth in China continued to be driven by sales across the range of Nokia's broad product portfolio through our extensive distribution system.

In Asia Pacific, strong sequential volume growth reflected our ability to capitalize on strong market growth, particularly in the fastest growing market, India, where we kept our market share and industry-leading position.

In Europe