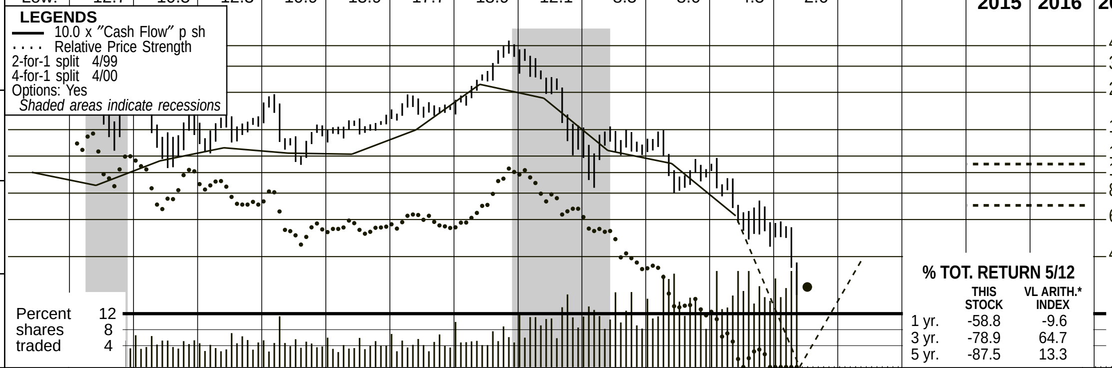
# NOKIA CORP (ADR) NYSE-NOK

| RECENT PRICE | 2.87 | P/E RATIO | NMF (Trailing: 29.3 Median: 15.0) | RELATIVE P/E RATIO | NMF | DIV'D YLD | 4.5-8.7% | VALUE LINE |
|---|---|---|---|---|---|---|---|---|

**TIMELINESS** 5 Lowered 12/16/11
**SAFETY** 3 Lowered 3/25/11
**TECHNICAL** 3 Raised 6/22/12
**BETA** 1.10 (1.00 = Market)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 45.6 | 27.1 | 18.8 | 23.5 | 18.8 | 23.5 | 42.2 | 38.6 | 16.6 | 15.9 | 11.8 | 5.9 |
| Low: | 12.7 | 10.5 | 12.3 | 10.9 | 13.9 | 17.7 | 18.9 | 12.1 | 8.5 | 8.0 | 4.5 | 2.6 |

**Target Price Range**
2015 | 2016 | 2017




**% TOT. RETURN 5/12**

| | THIS STOCK | VL ARITH.* INDEX |
|---|---|---|
| 1 yr. | -58.8 | -9.6 |
| 3 yr. | -78.9 | 64.7 |
| 5 yr. | -87.5 | 13.3 |

**2015-17 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 11 | (+285%) | 42% |
| Low | 7 | (+145%) | 28% |

**Insider Decisions**

NOT REPORTED

**Institutional Decisions**

| | 3Q2011 | 4Q2011 | 1Q2012 |
|---|---|---|---|
| to Buy | 137 | 119 | 173 |
| to Sell | 194 | 198 | 155 |
| Hld's(000) | 372197 | 394487 | 449565 |

| 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | © VALUE LINE PUB. LLC | 15-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 4.65 | 5.35 | 5.05 | 1.01 | 1.06 | 1.12 | .95 | .80 | .74 | .84 | .76 | .68 | .72 | .70 | .75 | .77 | *.75* | *.75* | Translation Rate(Euro/$) A | *.75* |
| 1.87 | 2.17 | 3.42 | 4.29 | 6.10 | 5.88 | 6.60 | 7.83 | 8.81 | 9.76 | 13.64 | 19.52 | 19.05 | 15.81 | 15.27 | 13.49 | *11.20* | *11.30* | Sales per ADR | *16.20* |
| .25 | .37 | .56 | .70 | 1.00 | .87 | 1.14 | 1.31 | 1.24 | 1.23 | 1.59 | 2.63 | 2.25 | 1.27 | 1.10 | .63 | *d.10* | *.35* | "Cash Flow" per ADR | *1.00* |
| .14 | .25 | .42 | .54 | .75 | .59 | .85 | 1.03 | .98 | .98 | 1.32 | 2.12 | 1.86 | .94 | .81 | .38 | *d.35* | *.05* | Earnings per ADR B | *.65* |
| .04 | .04 | .08 | .13 | .19 | .26 | .24 | .30 | .38 | .44 | .45 | .58 | .74 | .53 | .49 | .57 | *.25* | *.13* | Gross Div'ds Decl'd/ADR C■ | *.20* |
| .10 | .10 | .20 | .28 | .32 | .20 | .10 | .11 | .17 | .17 | .22 | .27 | .33 | .20 | .24 | .21 | *.20* | *.20* | Cap'l Spending per ADR | *.30* |
| .75 | .89 | 1.31 | 1.60 | 2.18 | 2.27 | 3.11 | 4.11 | 4.39 | 3.58 | 4.02 | 5.65 | 5.34 | 5.05 | 5.17 | 4.14 | *3.40* | *3.10* | Book Value per ADR | *3.50* |
| 4532.3 | 4540.3 | 4587.5 | 4652.7 | 4696.2 | 4736.3 | 4786.8 | 4700.3 | 4486.9 | 4172.4 | 3965.7 | 3846.0 | 3697.9 | 3708.3 | 3706.1 | 3710.2 | *3712.0* | *3715.0* | Equiv ADRs Outst'g D | *3520.0* |
| 18.4 | 18.3 | 21.3 | 42.6 | 62.6 | 41.9 | 19.9 | 15.7 | 16.3 | 16.8 | 15.2 | 13.9 | 13.7 | 14.2 | 13.7 | 19.3 | *Bold figures are* | | Avg Ann'l P/E Ratio | *14.0* |
| 1.15 | 1.05 | 1.11 | 2.43 | 4.07 | 2.15 | 1.09 | .90 | .86 | .89 | .82 | .74 | .82 | .95 | .87 | 1.22 | *Value Line* | | Relative P/E Ratio | *.95* |
| 1.5% | .9% | .9% | .6% | .4% | 1.0% | 1.4% | 1.9% | 2.4% | 2.6% | 2.2% | 2.0% | 2.9% | 3.9% | 4.4% | 7.8% | *estimates* | | Avg Ann'l Div'd Yield | *2.2%* |
| | | | | | | 31596 | 36819 | 39550 | 40704 | 54107 | 75086 | 70448 | 58611 | 56600 | 50062 | *41500* | *42000* | Sales ($mill) | *57000* |
| | | | | | | 21.8% | 21.6% | 17.9% | 15.4% | 15.4% | 15.7% | 16.0% | 10.6% | 9.5% | 6.4% | *NMF* | *3.5%* | Operating Margin | *8.0%* |
| | | | | | | 1380.0 | 1248.0 | 1045.0 | 848.0 | 937.0 | 1773.5 | 1282.0 | 1214.1 | 1076.0 | 925.9 | *965* | *1035* | Depreciation ($mill) | *1235* |
| | | | | | | 4063.0 | 4921.0 | 4518.0 | 4264.0 | 5386.0 | 8326.5 | 7050.1 | 3510.6 | 3015.9 | 1395.9 | *d1335* | *200* | Net Profit ($mill) | *2325* |
| | | | | | | 27.5% | 30.0% | 29.8% | 25.8% | 25.5% | 29.8% | 23.8% | 26.8% | 28.3% | 40.7% | *28.0%* | *28.0%* | Income Tax Rate | *27.0%* |
| | | | | | | 12.9% | 13.4% | 11.4% | 10.5% | 10.0% | 11.1% | 10.0% | 6.0% | 5.3% | 2.8% | *NMF* | *.5%* | Net Profit Margin | *4.1%* |
| | | | | | | 9656.0 | 14754 | 15593 | 11049 | 11085 | 15174 | 5715.3 | 12048 | 12806 | 10374 | *7000* | *5750* | Working Cap'l ($mill) | *5500* |
| | | | | | | 197.0 | 25.0 | 26.0 | 25.0 | 91.0 | 298.5 | 1195.8 | 6337.8 | 5655.9 | 5139.5 | *4675* | *4000* | Long-Term Debt ($mill) | *2000* |
| | | | | | | 14895 | 19296 | 19697 | 14950 | 15937 | 21725 | 19733 | 18716 | 19178 | 15374 | *12690* | *11585* | Shr. Equity ($mill) | *12335* |
| | | | | | | 27.0% | 25.5% | 23.0% | 28.5% | 33.6% | 37.8% | 33.8% | 14.4% | 12.7% | 7.4% | *NMF* | *1.5%* | Return on Total Cap'l | *16.5%* |
| | | | | | | 27.3% | 25.5% | 22.9% | 28.5% | 33.8% | 38.3% | 35.7% | 18.8% | 15.7% | 9.1% | *NMF* | *1.5%* | Return on Shr. Equity | *19.0%* |
| | | | | | | 17.8% | 16.6% | 13.2% | 16.3% | 21.0% | 26.4% | 21.3% | 6.9% | 5.2% | NMF | *NMF* | *NMF* | Retained to Com Eq | *13.0%* |
| | | | | | | 35% | 35% | 42% | 43% | 38% | 31% | 40% | 63% | 67% | NMF | *NMF* | *NMF* | All Divd's to Net Prof | *31%* |

**CAPITAL STRUCTURE as of 12/31/11**
**Total Debt** $6890 mill. **Due in 5 Yrs** $1751 mill.
**LT Debt** $5139 mill. **LT Interest** $255 mill.
(25% of Cap'l)
**Leases, Uncapitalized** Annual rentals $378 mill.
**Pension Assets-12/11** $2.1 bill. **Oblig.** $2.2 bill.

**Pfd Stock** None

**Common Stock** 3,710,188,965 shs.
*Each ADR represents one A common share.*

**MARKET CAP: $10.6 billion (Large Cap)**

| CURRENT POSITION ($MILL.) | 2009 | 2010 | 12/31/11 |
|---|---|---|---|
| Cash Assets | 11859 | 15151 | 13556 |
| Receivables | 11413 | 10093 | 9299 |
| Inventory (FIFO) | 2667 | 3364 | 3017 |
| Other | 7828 | 7584 | 7090 |
| Current Assets | 33767 | 36192 | 32962 |
| Accts Payable | 7078 | 8134 | 7163 |
| Debt Due | 1103 | 1383 | 1751 |
| Other | 13538 | 13869 | 13674 |
| Current Liab. | 21719 | 23386 | 22588 |

| ANNUAL RATES of change (per ADR) | Past 10 Yrs. | Past 5 Yrs. | Est'd '09-'11 to '15-'17 |
|---|---|---|---|
| Sales | 10.5% | 6.5% | *1.5%* |
| "Cash Flow" | 1.5% | -6.0% | *Nil* |
| Earnings | 1.5% | -8.0% | *-1.5%* |
| Dividends | 10.5% | 5.0% | *-15.0%* |
| Book Value | 9.0% | 3.5% | *-5.0%* |

| Cal-endar | QUARTERLY SALES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2009 | 13265 | 14175 | 14028 | 17143 | 58611 |
| 2010 | 12696 | 13340 | 13694 | 16870 | 56600 |
| 2011 | 13467 | 12012 | 11628 | 12955 | 50062 |
| 2012 | 9807 | *9750* | *10000* | *11943* | *41500* |
| 2013 | *9250* | *9750* | *10250* | *12750* | *42000* |

| Cal-endar | EARNINGS PER SHARE B Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2009 | .14 | .21 | .24 | .35 | .94 |
| 2010 | .18 | .15 | .19 | .29 | .81 |
| 2011 | .17 | .08 | .05 | .08 | .38 |
| 2012 | d.11 | *d.15* | *d.10* | *.01* | *d.35* |
| 2013 | *d.05* | *d.02* | *.02* | *.09* | *.05* |

| Cal-endar | QUARTERLY DIVIDENDS PAID C■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2008 | - - | .710 | - - | - - | .710 |
| 2009 | - - | .530 | - - | - - | .530 |
| 2010 | - - | .495 | - - | - - | .495 |
| 2011 | - - | .571 | - - | - - | .571 |
| 2012 | - - | .253 | | | |

**BUSINESS:** Nokia Corporation is the world's largest manufacturer of cellular phones. Also develops and manufactures infrastructure equipment and systems for wireless and fixed networks. '10 revenue (and op. profit) breakdown: Devices & Services, 87% (93%); Location & Commerce, 3% (2%); Networks, 36% (10%). Networks operates as part of a joint venture formed with Siemens, 4/07. '11 sales: Europe, 31%; Asia-Pacific, 23%; China, 17%; Americas, 15%; Middle East & Africa, 14%. R&D: 13% of '11 sales. Has 130,000 employees; Offs. & dirs. own less than 1% of voting rights ('11 annual report). Chairman: Jorma Ollila. CEO & Pres.: Stephen Elop. Inc.: Finland. U.S. Address: 709 Westchester Ave., White Plains, NY 10604. Tel.: 914-368-0555. Internet: www.nokia.com.

**Nokia's stock price has slumped more than 40% since our March report.** The selloff was sparked by the company's weak first-quarter results, which showed sales falling 27% from the prior-year period, while earnings slipped into the red, with a loss of $0.11 a share. More recently, the company indicated that the second quarter would be a struggle as well, with operating margins in the Devices & Services (i.e., cellphones) business likely coming in even worse than the -3% posted in the first three months of the year. Margins in this business stood at nearly 22% in 2007—the year Apple's *iPhone* was introduced—and were above 10% as recently as the 2010's fourth quarter.

**The cellphone business is facing challenges on a number of fronts,** and we expect revenues to remain under pressure at least into next year. The bottom line should benefit from accelerated cost-cutting efforts in both the Devices & Services and Networks (a joint venture with Siemens) segments, but this probably won't keep full-year earnings out of the red this year. In all, we have cut our share-net estimates for 2012 and 2013 by $0.55 and $0.30, respectively.

**The market's early response to Nokia's *Lumia* smartphones has been mixed.** The success of these *Windows*-based devices, which were first introduced last fall, will be key to allowing the company to profitably compete in the smartphone market with the *iPhone* and *Android*-based devices. Meanwhile, the competitive environment at the low end of the market, a long-time stronghold for the Finnish company, also appears to be heating up, as customers seek more smartphone like features, such as touch screens.

**Most investors should probably remain on the sidelines for now.** The company is moving quickly to revamp its portfolio and shrink its cost structure, but the challenge of undertaking this transition while competing against the likes of Apple, Google (*Android*), and low-cost Asian manufacturers is formidable. Too, given Nokia's present difficulties, we now think it prudent to assume that another reduction in the annual dividend is forthcoming in early 2013. These shares are untimely for the year ahead.

*Robert M. Greene, CFA* *June 22, 2012*

(A) At yearend. Rate based on Finnish markka through 1998. (B) Diluted egs. Based on U.S. acct. through 2006, Intl. Acct. Stand. from 2007. IAS for '01, $0.65; '02, 86¢; '03, 91¢; '04, 91¢; '05, 99¢; '06, $1.34. Excl. nonrec. items: '02, d11¢; '03, 4¢; '04, 3¢; '06, 4¢; '07, 57¢; '08, d40¢; '09, d59¢; '10, d14¢; '11, d78¢; '12 Q1, d22¢. Next egs. report due July 19th. (C) Before 15% Finnish tax on U.S. residents. Annual div'd typically paid in early April. ■ Div'd reinvestment available. (D) In mill., adj. for splits. Each ADR represents one A com. share.

| | |
|---|---|
| **Company's Financial Strength** | B+ |
| **Stock's Price Stability** | 45 |
| **Price Growth Persistence** | 25 |
| **Earnings Predictability** | 45 |