

G&K SERVICES INC
Form 10-Q
January 30, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 27, 2008
Commission file number 0-4063
G&K SERVICES, INC.
(Exact name of registrant as specified in its charter)

MINNESOTA

41-0449530

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

5995 OPUS PARKWAY
MINNETONKA, MINNESOTA 55343

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code (952) 912-5500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common Stock, par value \$0.50 per share, outstanding
January 26, 2009 was 18,500,954 shares

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED CONDENSED BALANCE SHEETS

G&K Services, Inc. and Subsidiaries

(In thousands)	December 27, 2008 (Unaudited)	June 28, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,355	\$ 12,651
Accounts receivable, less allowance for doubtful accounts of \$5,075 and \$4,506	103,274	111,307
Inventories, net	152,146	142,318
Other current assets	17,593	26,181
Total current assets	286,368	292,457
Property, Plant and Equipment, net	239,954	253,041
Goodwill	424,030	434,874
Other Assets	60,473	72,802
Total assets	\$ 1,010,825	\$ 1,053,174
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	\$ 32,874	\$ 30,873
Accrued expenses	86,795	78,282
Deferred income taxes	5,429	6,154
Current maturities of long-term debt	7,712	7,891
Total current liabilities	132,810	123,200
Long-Term Debt, net of Current Maturities	277,956	280,428
Deferred Income Taxes	27,821	35,190
Accrued Income Taxes - Long Term	13,542	12,343
Other Noncurrent Liabilities	39,914	44,537
Stockholders Equity	518,782	557,476
Total liabilities and stockholders equity	\$ 1,010,825	\$ 1,053,174

The accompanying notes are an integral part of these consolidated condensed financial statements.

Table of Contents**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS***G&K Services, Inc. and Subsidiaries*

(Unaudited)

	For the Three Months		For the Six Months Ended	
	December 27, 2008	December 29, 2007	December 27, 2008	December 29, 2007
(In thousands, except per share data)				
Revenues				
Rental operations	\$ 221,206	\$ 232,208	\$ 450,339	\$ 458,276
Direct sales	20,547	23,060	36,650	40,778
Total revenues	241,753	255,268	486,989	499,054
Operating Expenses				
Cost of rental operations	152,039	156,647	313,871	308,382
Cost of direct sales	15,217	16,334	27,301	29,065
Selling and administrative	54,989	58,555	116,880	114,039
Total operating expenses	222,245	231,536	458,052	451,486
Income from Operations	19,508	23,732	28,937	47,568
Interest expense	3,821	3,990	7,418	7,948
Income before Income Taxes	15,687	19,742	21,519	39,620
Provision for income taxes	6,149	7,305	10,523	14,819
Net Income	\$ 9,538	\$ 12,437	\$ 10,996	\$ 24,801
Basic weighted average number of shares outstanding	18,490	20,627	18,557	20,868
Basic Earnings per Common Share	\$ 0.52	\$ 0.60	\$ 0.59	\$ 1.19
Diluted weighted average number of shares outstanding	18,490	20,783	18,622	21,054
Diluted Earnings per Common Share	\$ 0.52	\$ 0.60	\$ 0.59	\$ 1.18
Dividends per share	\$ 0.07	\$ 0.05	\$ 0.14	\$ 0.10

The accompanying notes are an integral part of these consolidated condensed financial statements.

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(Unaudited)

	For the Six Months Ended	
	December	December
	27,	29,
(In thousands)	2008	2007
Operating Activities:		
Net income	\$ 10,996	\$ 24,801
Adjustments to reconcile net income to net cash provided by operating activities		
-		
Depreciation and amortization	22,653	23,544
Other adjustments	2,343	282
Changes in current operating items, exclusive of acquisitions	(1,758)	(9,290)
Other assets and liabilities	3,281	4,156
Net cash provided by operating activities	37,515	43,493
Investing Activities:		
Property, plant and equipment additions, net	(13,766)	(8,525)
Acquisitions of business assets, net		(45,204)
Purchases of investments, net		(1,887)
Net cash used for investing activities	(13,766)	(55,616)
Financing Activities:		
Payments of long-term debt	(7,345)	(7,133)
Proceeds from revolving credit facilities, net	4,700	57,001
Cash dividends paid	(2,625)	(2,100)
Net issuance of common stock, primarily under stock option plans	209	3,289
Purchase of common stock	(16,769)	(47,227)
Net cash (used for) provided by financing activities	(21,830)	3,830
Increase (Decrease) in Cash and Cash Equivalents	1,919	(8,293)
Effect of Exchange Rates on Cash	(1,215)	487
Cash and Cash Equivalents:		
Beginning of period	12,651	22,759
End of period	\$ 13,355	\$ 14,953

The accompanying notes are an integral part of these consolidated condensed financial statements.

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G&K SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Amounts in millions, except per share data)
Three and six month periods ended December 27, 2008 and December 29, 2007
(Unaudited)

1. Basis of Presentation for Interim Financial Statements

The consolidated condensed financial statements included herein, except for the June 28, 2008 balance sheet which was derived from the audited consolidated financial statements for the fiscal year ended June 28, 2008, have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In our opinion, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our financial position as of December 27, 2008, and the results of our operations for the three and six months ended and our cash flows for the six months ended December 27, 2008 and December 29, 2007. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures herein are adequate to make the information presented not misleading. It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in our latest report on Form 10-K.

The results of operations for the three and six month periods ended December 27, 2008 and December 29, 2007 are not necessarily indicative of the results to be expected for the full year.

The accounting policies we follow are set forth in Note 1 in our Annual Report on Form 10-K for the fiscal year ended June 28, 2008.

Reclassifications

In the fourth quarter of fiscal year ended June 28, 2008, we reclassified certain amounts in the Consolidated Statements of Operations. The line items impacted were cost of rental operations, cost of direct sales, selling and administrative, and depreciation and amortization. Depreciation expense is included in the cost of rental operations, cost of direct sales, and selling and administrative line items. Amortization expense is included in selling and administrative. In addition, certain amounts related to production and manufacturing previously classified as cost of direct sales and selling and administrative expenses were reclassified to cost of rental operations.

As a result of the reclassifications implemented in the fourth quarter of fiscal year 2008, the results for the second quarter of fiscal year 2008 were reclassified to conform with the current year presentation. These reclassifications had no impact on our previously reported income from operations, net income, cash flows or the basic and diluted earnings per share amounts or beginning retained earnings.

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The following table summarizes the changes to originally reported amounts and subtotals in the Consolidated Condensed Statement of Operations for the three months ended December 29, 2007.

	For the Three Months Ended December 29, 2007		
	As Previously Reported	Reclassifications	As Reclassified
Operating Expenses			
Cost of rental operations	\$148.0	\$ 8.6	\$ 156.6
Cost of direct sales	16.5	(0.2)	16.3
Selling and administration	54.6	4.0	58.6
Depreciation and amortization	12.4	(12.4)	
Total operating expenses	\$231.5	\$	\$ 231.5

The following table summarizes the changes to originally reported amounts and subtotals in the Consolidated Condensed Statement of Operations for the six months ended December 29, 2007.

	For the Six Months Ended December 29, 2007		
	As Previously Reported	Reclassifications	As Reclassified
Operating Expenses			
Cost of rental operations	\$291.1	\$ 17.3	\$ 308.4
Cost of direct sales	29.2	(0.1)	29.1
Selling and administration	106.8	7.2	114.0
Depreciation and amortization	24.4	(24.4)	
Total operating expenses	\$451.5	\$	\$ 451.5

The following table summarizes the changes to originally reported amounts and subtotals in the Consolidated Condensed Statement of Cash Flows for the six months ended December 29, 2007.

	For the Six Months Ended December 29, 2007		
	As Previously Reported	Reclassifications	As Reclassified
Operating Activities:			
Depreciation and amortization	\$24.4	\$ (0.9)	\$ 23.5
Other assets and liabilities	3.3	0.9	4.2

Net cash provided by operating activities	\$43.5	\$	\$ 43.5
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2. Contingent Liabilities

Environmental matters

We are currently involved in several environmental-related proceedings by certain governmental agencies. We have recently resolved two of these proceedings and have paid the negotiated penalties in these two actions. In addition to these proceedings, we continue to experience increased activity around the area of overall environmental compliance, including inspections by regulatory agencies. We continue to dedicate substantial operational and financial resources to environmental compliance, and we remain fully committed to operating in compliance with all environmental laws and regulations. During the first quarter of fiscal year 2009, as a result of this increased activity, we decided to enhance our oversight by engaging a recognized international environmental consulting firm to conduct reviews of all of our production facilities. By hiring experts in this complex area, we expect to gain additional assurance with

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respect to our environmental compliance. As of December 27, 2008, we have substantially completed these inspections and, where required, are undertaking appropriate corrective actions. Based on the results of the regulatory agency inspections, internal reviews and other available information, for the quarter ended December 27, 2008, we have established reserves for environmental matters of approximately \$4.2 million. Total expense for these matters was \$3.9 million and \$0.2 million in the first quarter and second quarter of fiscal 2009, respectively.

Compensation Matters

As a result of recent changes to prevailing compensation laws, we determined that it is probable that we will be required to pay additional compensation to certain affected employees for services previously rendered. While rulemaking regarding this law remains ongoing, in an effort to estimate the amount, we have conducted extensive financial analysis and have inspected available historical records. We have established a reserve of approximately \$3.3 million for this liability, which we believe is sufficient to resolve this matter. This amount was recorded in the cost of rental line of the Consolidated Condensed Statement of Operations in the first quarter of fiscal year 2009. We do not expect this change in compensation law to materially impact our ongoing operations as we are in the process of implementing operational changes to correct the issue.

3. Adoption of New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). This statement provides a definition of fair value, provides guidance for measuring fair value in U.S. GAAP and expands disclosures about fair value measurement. We adopted SFAS No. 157 at the beginning of the quarter ended September 27, 2008. Our adoption did not impact our consolidated financial position or results of operations. See Note 4 of the consolidated condensed financial statements for additional disclosures. In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). This statement permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. We adopted SFAS No. 159 at the beginning of the quarter ended September 27, 2008, and did not elect the fair value option for eligible items that existed at the date of adoption.

Accounting Pronouncements Not Yet Adopted

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS No. 161). This statement establishes enhanced disclosures about derivative and hedging activities. This statement is effective for fiscal years and interim periods beginning after November 15, 2008. Adoption of SFAS No. 161 will result in enhanced disclosure regarding our derivatives.

In December 2007, the FASB issued SFAS No. 141(r), Business Combinations (SFAS No. 141 (r)). This statement replaces SFAS No. 141, Business Combinations. This statement retains the fundamental requirements in SFAS No. 141 that the acquisition method of accounting (which SFAS No. 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This statement also establishes principles and requirements

for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(r) will apply prospectively to business combinations that are consummated after June 27, 2009.

We do not believe SFAS 161 and SFAS 141(r) will have a material impact on our consolidated financial statements.

Table of Contents**4. Fair Value Measurements**

As discussed in Note 3, we adopted SFAS No. 157 at the beginning of the quarter ended September 27, 2008, subject to the deferral provisions of FSP No. 157-2, on June 29, 2008. This standard defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We considered non-performance risk when determining fair value of our derivative financial instruments. The fair value hierarchy prescribed by SFAS No. 157 contains three levels as follows:

Level 1 Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The following table summarizes the balances of assets and liabilities measured at fair value on a recurring basis:

	As of December 27, 2008		
	Fair Value Measurements Using Inputs Considered as		
	Level 1	Level 2	Total
Other assets:			
Non-qualified, non-contributory retirement plan assets	\$	\$ 8.6	\$ 8.6
Non-qualified deferred compensation plan assets	13.7		13.7
Total assets	\$13.7	\$ 8.6	\$22.3
Accrued expenses:			
Derivative financial instruments	\$	\$12.8	\$12.8
Total liabilities	\$	\$12.8	\$12.8

5. Exit, Disposal and Related Activities

In the first quarter of fiscal year 2009, we closed three processing plants, two branch locations, reduced selected headcount and outsourced our fleet maintenance function. We expect all payments associated with these actions to be completed by September 30, 2009.

We recorded approximately \$2.6 million of expense in the Consolidated Condensed Statement of Operations during the first quarter of fiscal year 2009. These charges principally impacted our United States operating segment. Of these amounts, approximately \$1.0 million was recorded in the cost of rental operations line item and the remaining \$1.6 million was recorded in the selling and administrative line item.

Table of Contents**6. Income Taxes**

Our fiscal 2009 year to date effective tax rate increased to 48.9% for the first six months of fiscal year 2009 from 37.4% in the same period of fiscal year 2008. The current year tax rate is significantly higher than our statutory rate primarily due to the non-deductibility of certain environmental related charges and the write-off of deferred tax assets associated with certain expiring stock options in the first quarter of fiscal 2009. Together, these two items increased the current year to date effective tax rate by 9.0%.

7. Per Share Data

Basic earnings per common share was computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share was computed similarly to the computation of basic earnings per share, except that the denominator is increased for the assumed exercise of dilutive options and other dilutive securities, including non-vested restricted stock, using the treasury stock method.

	Three Months Ended		Six Months Ended	
	December 27, 2008	December 29, 2007	December 27, 2008	December 29, 2007
Weighted average number of common shares outstanding used in computation of basic earnings per share	18.5	20.6	18.6	20.9
Weighted average effect of non-vested restricted stock grants and assumed exercise of options		0.2		0.2
Shares used in computation of diluted earnings per share	18.5	20.8	18.6	21.1

Potential common shares related to our outstanding stock options and restricted stock grants of 2.1 million and 1.0 million for the three months ended December 27, 2008 and December 29, 2007, respectively, and 1.6 million and 0.7 million for the six months ended December 27, 2008 and December 29, 2007, respectively, were excluded from the computation of diluted earnings per share. Inclusion of these shares would have been anti-dilutive as the exercise price of these shares exceeded their market value.

8. Comprehensive Income

For the three and six month periods ended December 27, 2008 and December 29, 2007, the components of comprehensive income were as follows:

	Three Months Ended		Six Months Ended	
	December 27, 2008	December 29, 2007	December 27, 2008	December 29, 2007
Net income	\$ 9.5	\$ 12.4	\$ 11.0	\$ 24.8

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Other comprehensive income:					
Foreign currency translation adjustments, net of tax	(22.3)		2.6	(25.6)	12.6
Net unrealized holding gain (loss) on derivative financial instruments, net of tax	(7.1)		(0.8)	(8.2)	(2.0)
Comprehensive (loss) income	\$ (19.9)	\$	14.2	\$ (22.8)	\$ 35.4

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The components of inventory as of December 27, 2008 and June 28, 2008 are as follows:

	December 27, 2008	June 28, 2008
Raw Materials	\$ 7.7	\$ 5.3
Work in Process	6.1	4.7
Finished Goods	64.1	50.9
 New Goods	 \$ 77.9	 \$ 60.9
Merchandise in Service	\$ 74.2	\$ 81.4
 Total Inventories	 \$ 152.1	 \$ 142.3

10. Goodwill and Intangible Assets

The carrying value of goodwill is evaluated on an annual basis and also when events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit to which goodwill is assigned below its carrying amount. When evaluating whether goodwill is impaired, the fair value of the reporting unit to which goodwill is assigned is compared to its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of the goodwill with its carrying amount. In calculating the implied fair value of goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. Our last annual impairment analysis was performed in the fourth quarter of fiscal year 2008, which indicated that the estimated fair value of each reporting unit exceeded its carrying amount, including recorded goodwill. As a result, no impairment existed at that time.

During the second quarter of fiscal year 2009, there was a significant deterioration in general economic conditions and in the market value of our stock. The resulting decline in our market capitalization prompted us to conduct a goodwill analysis to determine if an impairment of goodwill existed as of December 27, 2008. Our analysis evaluated the estimated fair value of each reporting unit relative to the net book value. We prepared a discounted cash flow model to estimate fair value, which validated the reasonableness of the estimated market value plus a control premium. As a result of this analysis no impairment was recorded as of December 27, 2008.

While we cannot predict the impact of future economic conditions or the market value of our stock, continued depressed economic conditions and/or a sustained decline in our market capitalization could negatively and materially impact our assumptions and assessment of the fair value of our business. If general economic conditions or our financial performance do not improve we may be required to record a goodwill impairment charge in the future which may materially impact our financial results. We do not believe a future goodwill impairment charge, if any, will impact compliance with the debt covenants associated with our various credit facilities.

Goodwill includes the following:

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	United States	Canada	Total
Balance as of June 28, 2008	\$ 367.5	\$ 67.4	\$ 434.9
Acquisitions, net of purchase accounting adjustments	(0.2)		(0.2)
Foreign currency translation and other	(0.2)	(10.5)	(10.7)
Balance as of December 27, 2008	\$ 367.1	\$ 56.9	\$ 424.0

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Our other intangible assets, which are included in other assets on the consolidated condensed balance sheet, are as follows:

	December 27, 2008	June 28, 2008
Other Intangible Assets:		
Customer Contracts	\$ 116.5	\$ 119.4
Accumulated Amortization	(81.2)	(79.5)
Net	\$ 35.3	\$ 39.9
Non-Competition Agreements	\$ 11.0	\$ 11.1
Accumulated Amortization	(10.1)	(10.0)
Net	\$ 0.9	\$ 1.1

The customer contracts include the combined value of the written service agreements and the related customer relationship.

Amortization expense was \$3.8 million and \$5.6 million for the six months ended December 27, 2008 and December 29, 2007, respectively. Estimated amortization expense for each of the next five fiscal years based on the intangible assets as of December 27, 2008 is as follows:

2009 remaining	\$3.6
2010	7.3
2011	6.6
2012	5.8
2013	4.3
2014	2.9

11. Long-Term Debt

We maintain a revolving credit facility of \$325.0 million expiring August 31, 2010. As of December 27, 2008, borrowings outstanding under the revolving credit facility were \$170.2 million at rates ranging from 0.55% to 1.50% over the London Interbank Offered Rate (LIBOR). Borrowings under this facility are unsecured. The unused portion of the revolver may be used for general corporate purposes, acquisitions, share repurchases, working capital needs and to provide up to \$50.0 million in letters of credit. As of December 27, 2008, letters of credit outstanding against the revolver were \$20.8 million and primarily relate to our property and casualty insurance programs. No amounts have been drawn upon these letters of credit.

Borrowings under the revolving credit facility bear interest at 0.55% to 1.50% over the LIBOR, or the Canadian prime rate for Canadian borrowings, based on a leverage ratio calculated on a quarterly basis. Advances outstanding as of December 27, 2008 bear interest at an all-in rate of 3.86% (LIBOR plus 0.88%) for the Eurodollar loans and an all-in rate of 3.25% (Lender Prime Rate) for overnight Swing-Line loans. We also pay a fee on the unused daily balance of the revolving credit facility based on a leverage ratio calculated on a quarterly

basis.

We have \$75.0 million of variable rate unsecured private placement notes. The notes bear interest at 0.60% over LIBOR and are scheduled to mature on June 30, 2015. The notes do not require principal payments until maturity. Interest payments are reset and paid on a quarterly basis. As of December 27, 2008, the outstanding balance of the notes was \$75.0 million at an all-in rate of 4.36% (LIBOR plus 0.60%).

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We maintain a loan agreement whereby the lender will make loans to us on a revolving basis up to a maximum of \$60.0 million. The amount of funds available under the loan agreement as of December 27, 2008 was \$53.1 million, which was the amount of eligible receivables less a reserve requirement. The agreement was originally scheduled to terminate October 21, 2010 but was renegotiated in October 2008 and is now scheduled to terminate on September 27, 2011. We are requiext-align:right;">-2

	7 396
Gross profit	
	1 484
	494
	140
	612
	9
	2 739
<i>Gross margin,%</i>	
	32.8
	43.6
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45.6

42.8

37.0

Research and development expenses

-289

-214

-81

-279

-56

-919

% of net sales

6.4

18.9

26.4

19.5

	12.4
Selling and marketing expenses	
	-296
	-110
	-50
	-98
	-3
	-557
<i>% of net sales</i>	
	6.5
	9.7
	16.3
	6.8
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	7.5
Administrative, general and other expenses	
	-30
	-15
	-18
	-14
	-68
	-145
<i>% of net sales</i>	
	0.7
	1.3
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5.9

1.0

2.0

Operating profit

	869
	155
	-9
	221
	-118
	1 118
<i>Operating margin,%</i>	
	<i>19.2</i>
	<i>13.7</i>
	<i>-2.9</i>
	<i>15.4</i>
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REVISED 1Q 2004 BUSINESS GROUP, EUR million*
(unaudited)

	Mobile Phones	Multimedia	Enterprise Solutions	Networks	Common Group Functions	Eliminations	Group
Net sales	4 080	744	184	1 346		-6	6 348
Gross profit	1 617	293	89	575	2		2 576
Gross margin,%	39.6	39.4	48.4	42.7			40.6
Research and development expenses	-270	-217	-69	-263	-45		-864
<i>% of net sales</i>	<i>6.6</i>	<i>29.2</i>	<i>37.5</i>	<i>19.5</i>			<i>13.6</i>
Selling and marketing expenses	-262	-86	-40	-113	-19		-520
<i>% of net sales</i>	<i>6.4</i>	<i>11.6</i>	<i>21.7</i>	<i>8.4</i>			<i>8.2</i>
Administrative, general and other expenses	-37	-9	-13	-45	-45		-149
<i>% of net sales</i>	<i>0.9</i>	<i>1.2</i>	<i>7.1</i>	<i>3.3</i>			<i>2.3</i>
Amortization of goodwill	-19	-3	-2				-24
Operating profit	1 029	-22	-35	154	-107		1 019
Operating margin,%	25.2	-3.0	-19.0	11.4			16.1

*Q1 and full-year 2004 financial accounts now reflect the retrospective implementation of IFRS 2 and IAS 39R

NOKIA NET SALES BY GEOGRAPHIC AREA (2004 Revised*)

EUR (millions, unaudited)	Q1 05	YoY change (%)	Q1 04	2004
Europe/Middle East/Africa	4 289	23%	3 491	15 791
China	872	26%	689	2 992
Asia-Pacific	1 268	36%	930	4 544
North America	498	-36%	773	3 540
Latin America	469	1%	465	2 504
Total	7 396	17%	6 348	29 371

*Q1 and full-year 2004 financial accounts now reflect the retrospective implementation of IFRS 2 and IAS 39R

NOKIA PERSONNEL BY GEOGRAPHIC AREA

Headcount	Q1 05	YoY change (%)	Q1 04	QoQ change (%)	2004
Europe/Middle East/Africa	36 075	5%	34 213	0%	36 069
China	5 076	10%	4 622	1%	5 007
Asia-Pacific	3 254	22%	2 674	3%	3 163
North America	7 173	-1%	7 246	-1%	7 276
Latin America	3 815	28%	2 970	-4%	3 990
Total	55 393	7%	51 725	0%	55 505

CONSOLIDATED PROFIT AND LOSS ACCOUNT, IFRS, EUR million (unaudited)

	1-3/2005	Revised* 1-3/2004	Revised* 1-12/2004
Net sales	7 396	6 348	29 371
Cost of sales	-4 657	-3 772	-18 179
Research and development expenses	-919	-864	-3 776
Selling and marketing expenses	-557	-520	-2 564
Administrative, general and other expenses	-145	-149	-578
One-time item			148
Amortization of goodwill		-24	-96
Operating profit	1 118	1 019	4 326
Share of results of associated companies	-4	-4	-26
Financial income and expenses	78	76	405
Profit before tax and minority interests	1 192	1 091	4 705
Tax	-320	-353	-1 446
Profit before minority interests	872	738	3 259
Profit attributable to minority interests	-9	-9	-67
Profit attributable to equity holders of the parent	863	729	3 192
Earnings per share, EUR			
(for profit attributable to the equity holders of the parent)			
Basic	0.19	0.16	0.69
Diluted	0.19	0.16	0.69
Average number of shares (1 000 shares)			
Basic	4 459 302	4 679 708	4 593 196
Diluted	4 467 035	4 683 116	4 600 337
Depreciation and amortization, total	180	215	868
Share-based compensation expense, total	11	13	62

*Nokia's Q1 and full-year 2004 financial accounts now reflect the retrospective implementation of IFRS 2 and IAS 39R

CONSOLIDATED BALANCE SHEET, IFRS, EUR million (unaudited)

	31.03.2005	Revised* 31.03.2004	Revised* 31.12.2004
ASSETS			
Fixed assets and other non-current assets			
Capitalized development costs	259	501	278
Goodwill	90	162	90
Other intangible assets	210	172	209
Property, plant and equipment	1 546	1 532	1 534
Investments in associated companies	187	77	200
Available-for-sale investments	184	382	169
Deferred tax assets	659	776	623
Long-term loans receivable		365	
Other non-current assets	51	78	58
	3 186	4 045	3 161
Current assets			
Inventories	1 363	1 108	1 305
Accounts receivable	3 939	4 725	4 382
Prepaid expenses and accrued income	1 252	1 288	1 429
Short-term loans receivable	260	369	595
Available-for-sale investments	75	818	255
Available-for-sale investments, liquid assets	9 067	7 864	9 085
Available-for-sale investments, cash equivalents	2 330	2 298	1 367
Bank and cash	1 169	1 235	1 090
	19 455	19 705	19 508
Total assets	22 641	23 750	22 669
SHAREHOLDERS EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital	280	288	280
Share issue premium	2 374	2 323	2 366
Treasury shares	-2 672	-2 016	-2 022
Translation differences	-125	-88	-126
Fair value and other reserves	-45	108	13
Retained earnings 1)	13 113	13 272	13 720
	12 925	13 887	14 231
Minority interests	152	168	168
Total equity	13 077	14 055	14 399
Long-term liabilities			
Long-term interest-bearing liabilities	19	19	19
Deferred tax liabilities	173	212	179
Other long-term liabilities	97	68	96
	289	299	294
Current liabilities			
Short-term borrowings	308	532	215
Current portion of long-term debt		87	
Accounts payable	2 889	2 579	2 669
Accrued expenses 1)	3 580	3 804	2 604
Provisions	2 498	2 394	2 488
	9 275	9 396	7 976
Total shareholders' equity and liabilities	22 641	23 750	22 669
Interest-bearing liabilities	327	638	234
Shareholders' equity per share, EUR	2.92	2.98	3.17
Number of shares (1 000 shares) (2)	4 433 043	4 662 473	4 486 941

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**Nokia's financial accounts for the periods ending 31 March, 2004 and 31 December 2004 now reflect the retrospective implementation of IFRS 2 and IAS 39R.*

1) Dividends to Nokia shareholders, EUR 1 463 million in 2005 (EUR 1 398 million in 2004), were booked as a liability at the end

Of the first quarter. The impact on cash flow will be shown in the second quarter. 2) Shares owned by Group companies are excluded

CONSOLIDATED CASH FLOW STATEMENT, IFRS, EUR million (unaudited)

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	1-3/2005	Revised* 1-3/2004	Revised* 1-12/2004
Cash flow from operating activities			
Net profit	863	729	3 192
Adjustments, total	452	591	2 027
Net profit before change in net working capital	1 315	1 320	5 219
Change in net working capital	180	-216	273
Cash generated from operations	1 495	1 104	5 492
Interest received	86	107	204
Interest paid	-7	-6	-26
Other financial income and expenses, net received	33	173	41
Income taxes paid	-259	-429	-1 368
Net cash from operating activities	1 348	949	4 343
Cash flow from investing activities			
Acquisition of Group companies, net of acquired cash			
Purchase of current available-for-sale investments	-2 565	-1 591	-10 318
Purchase of non-current available-for-sale investments	-9	-253	-388
Purchase of shares in associated companies	-11	-1	-109
Additions in capitalized development costs	-33	-27	-101
Proceeds from repayments and sale of long-term loans receivable			368
Proceeds from (+), payment (-) of other long-term receivables	-6	-4	2
Proceeds from (+), payment (-) short-term loan receivables	264	-4	66
Capital expenditures	-112	-80	-548
Proceeds from disposal of Group companies, net of disposed cash	5		1
Proceeds from sale of current available-for-sale investments, liquid assets	2 552	2 267	9 737
Proceeds from sale of current available-for-sale investments	174		587
Proceeds from sale of non-current available-for-sale investments		2	346
Proceeds from sale of fixed assets	1	5	6
Dividends received		2	22
Net cash from/used in investing activities	260	316	-329
Cash flow from financing activities			
Purchase of treasury shares	-649	-642	-2 648
Proceeds from long-term borrowings	1		1
Repayment of long-term borrowings		-1	-3
Proceeds from (+), payment of (-) of short-term borrowings	107	128	-255
Dividends paid	-35		-1 413
Net cash used in financing activities	-576	-515	-4 318
Foreign exchange adjustment	10	-1	-23
Net increase/decrease in cash and cash equivalents	1 042	749	-327
Cash and cash equivalents at beginning of period	2 457	2 784	2 784
Cash and cash equivalents at end of period	3 499	3 533	2 457

*Nokia's Q1 and full-year 2004 financial accounts now reflect the retrospective implementation of IFRS 2 and IAS 39R

NB: The figures in the consolidated cash flow statement cannot be directly traced from the balance sheet without additional information as a result of acquisitions and disposals of subsidiaries and net foreign exchange differences arising on consolidation.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY, IFRS, EUR million (unaudited)

	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Retained earnings	Before minority	Minority interests	Total equity
Balance at December 31, 2003	288	2 272	-1 373	-85	93	13 953	15 148	164	15 312
Impact of implementing IFRS2		41					-41		
Impact of implementing IAS 39R						-13	13		
Revised Balance December 31, 2003	288	2 313	-1 373	-85	80	13 925	15 148	164	15 312
Stock options exercised related to acquisitions		-3					-3		-3
Share-based compensation		13					13		13
Acquisition of treasury shares			-649				-649		-649
Reissuance of treasury shares			6				6		6
Dividend						-1 398	-1 398		-1 398
Translation differences				9			9	-1	8
Net investment hedge gains				-12			-12		-12
Cash flow hedges, net of tax, revised					-19		-19		-19
Available-for-sale investments, net of tax					47		47		47
Other increase, net						16	16	-4	12
Net profit, revised						729	729	9	738
Revised balance at March 31, 2004	288	2 323	-2 016	-88	108	13 272	13 887	168	14 055
Balance at December 31, 2004	280	2 272	-2 022	-126	69	13 765	14 238	168	14 406
Impact of implementing IFRS2		94				-101	-7		-7
Impact of implementing IAS 39R					-56	56			
Revised balance December 31, 2004	280	2 366	-2 022	-126	13	13 720	14 231	168	14 399
Stock options exercised related to acquisitions									
Tax benefit on stock options exercised		-3					-3		-3
Share-based compensation		11					11		11
Acquisition of treasury shares			-652				-652		-652
Reissuance of treasury shares			2				2		2
Dividend						-1 463	-1 463	-35	-1 498
Translation differences				28			28	3	31
Net investment hedge losses				-27			-27		-27

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Cash flow hedges, net of tax					-21		-21		-21
Available-for-sale investments, net of tax					-37		-37		-37
Other increase/decrease, net						-7	-7	7	
Net profit						863	863	9	872
Balance at March 31, 2005	280	2 374	-2 672	-125	-45	13 113	12 925	152	13 077

NB: Nokia's Q1 and full-year 2004 financial accounts now reflect the retrospective implementation of IFRS 2 and IAS 39R

COMMITMENTS AND CONTINGENCIES, EUR million (unaudited)

	31.03.05	GROUP 31.03.04	31.12.04
Collateral for own commitments			
Property under mortgages	18	18	18
Assets pledged	11	13	11
Collateral given on behalf of other companies			
Securities pledged		28	
Contingent liabilities on behalf of Group companies			
Other guarantees	250	214	275
Contingent liabilities on behalf of other companies			
Guarantees for loans	3	5	3
Other guarantees	3	3	2
Leasing obligations	600	716	611
Financial commitments			
Customer financing	56	394	56

NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS, EUR million (1) (unaudited)

	31.03.2005	31.03.2004	31.12.2004
Foreign exchange forward contracts (2)	26 987	11 034	10 744
Currency options bought (2)	154	3 688	715
Currency options sold (2)	91	3 127	499
Interest rate swaps and futures	711	35	
Credit default swaps (3)	200		200
Cash settled equity swaps (4)		233	
Cash settled equity options (4)	147	228	237

1) Includes the gross amount of all notional values for contracts that have not yet been settled or cancelled.

The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

2) Notional amounts include contracts used to hedge the shareholders' equity of foreign subsidiaries

3) Credit default swaps include contracts used to hedge counterparty credit risks.

4) Cash settled equity and options can be used to hedge risks relating to incentive programs and investment activities.

1 EUR = 1.323 USD

NEW IFRS STANDARDS AND THEIR IMPACT ON NOKIA 2004 AND FUTURE ACCOUNTS

International Financial Reporting Standards (IFRS) were subject to changes as of January 1, 2005. The following covers those rules applicable to Nokia. The total impact of the changes resulting from the retrospective implementation of the new rules to Nokia's 2004 financial accounts were an increase of EUR 104 million on net sales, and a net decrease of EUR 4 million on operating profit. These result from the changes in IFRS 2 and IAS 39 Revised.

IFRS 2: Share-based payments

IFRS 2 requires companies to recognize the cost of share-based awards to employees over the grant date to vesting date. The standard applies to awards granted since November 7, 2002 and not yet vested by January 1, 2005. The cost is assessed on a fair value basis using an option-pricing model.

For the Nokia 2004 accounts, this applies only to the 2003 stock option, and 2004 stock option, performance share and restricted share plans. The retrospective implementation of this change reduced the year 2004 operating profit by EUR 62 million.

The impact of this new rule will be seen in all relevant operating expenses lines.

IAS 39 Revised: Hedge accounting

IAS 39R no longer permits hedge accounting for treasury center foreign exchange netting, the method that Nokia has historically used to hedge foreign exchange risk. This change in the hedge accounting rules is retrospective for Nokia as an existing IFRS user.

The retrospective implementation of this change increased 2004 net sales by EUR 104 million and increased 2004 operating profit by EUR 58 million.

With effect from the beginning of this year, Nokia has revised its method of hedging foreign exchange risks to ensure hedge accounting treatment under the new rules.

IFRS 3: Business combinations, IAS 36 Revised: Impairment of assets, and IAS 38 Revised: Intangible assets

IFRS 3 calls for the discontinuation of goodwill amortization. IFRS 3 had no retrospective impact on Nokia's 2004 financial accounts. At December 31, 2004 Nokia had EUR 90 million of goodwill on its balance sheet, which in the future will not be amortized, but will be subject to an annual impairment test in accordance with IAS 36R.

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The impact of the retrospective implementation of IFRS 2 and IAS 39R on Nokia's 2004 financial accounts can be found in the following tables.

IMPACT OF RETROSPECTIVE IMPLEMENTATION OF IFRS 2 AND IAS 39R**CONSOLIDATED PROFIT AND LOSS ACCOUNT, IFRS, EUR million (unaudited)**

	Previously reported 1-3/2004	Impact of IFRS 2 & IAS 39 R	Revised 1-3/2004
Net sales	6 625	-277	6 348
Cost of sales	-3 943	171	-3 772
Research and development expenses	-855	-9	-864
Selling and marketing expenses	-517	-3	-520
Administrative, general and other expenses	-148	-1	-149
Amortization of goodwill	-24		-24
Operating profit	1 138	-119	1 019
Share of results of associated companies	-4		-4
Financial income and expenses	76		76
Profit before tax and minority interests	1 210	-119	1 091
Tax	-385	32	-353
Profit before minority interests	825	-87	738
Profit attributable to minority interests	-9		-9
Profit attributable to equity holders of the parent	816	-87	729
Earnings per share, EUR			
Basic	0.17	-0.01	0.16
Diluted	0.17	-0.01	0.16
Average number of shares (1 000 shares)			
Basic	4 679 708		4 679 708
Diluted	4 683 116		4 683 116

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	Previously reported 4-6/2004	Impact of IFRS 2 & IAS 39 R	Revised 4-6/2004	Previously reported 1-6/2004	Impact of IFRS 2 & IAS 39 R	Revised 1-6/2004
Net sales	6 640	-177	6 463	13 265	-454	12 811
Cost of sales	-4 090	175	-3 915	-8 033	346	-7 687
Research and development expenses	-945	-12	-957	-1 800	-21	-1 821
Selling and marketing expenses	-673	-3	-676	-1 190	-6	-1 196
Administrative, general and other expenses	-91	-2	-93	-239	-3	-242
One-time item	90		90	90		90
Amortization of goodwill	-24		-24	-48		-48
Operating profit	907	-19	888	2 045	-138	1 907
Share of results of associated companies	-6		-6	-10		-10
Financial income and expenses	135		135	211		211
Profit before tax and minority interests	1 036	-19	1 017	2 246	-138	2 108
Tax	-315	2	-313	-700	34	-666
Profit before minority interests	721	-17	704	1 546	-104	1 442
Minority interests	-9		-9	-18		-18
Profit attributable to equity holders of the parent	712	-17	695	1 528	-104	1 424
Earnings per share, EUR						
Basic	0.15		0.15	0.33	-0.02	0.31
Diluted	0.15		0.15	0.33	-0.02	0.31
Average number of shares (1 000 shares)						
Basic	4 620 853		4 620 853	4 650 281		4 650 281
Diluted	4 625 693		4 625 693	4 655 703		4 655 703

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	Previously reported 7-9/2004	Impact of IFRS 2 & IAS 39 R	Revised 7-9/2004	Previously reported 1-9/2004	Impact of IFRS 2 & IAS 39 R	Revised 1-9/2004
Net sales	6 939	165	7 104	20 204	-289	19 915
Cost of sales	-4 410	-108	-4 518	-12 443	238	-12 205
Research and development expenses	-880	-11	-891	-2 680	-32	-2 712
Selling and marketing expenses	-578	-3	-581	-1 768	-9	-1 777
Administrative, general and other expenses	-139	-2	-141	-378	-5	-383
One-time item	20		20	110		110
Amortization of goodwill	-24		-24	-72		-72
Operating profit	928	41	969	2 973	-97	2 876
Share of results of associated companies	-6		-6	-16		-16
Financial income and expenses	78		78	289		289
Profit before tax and minority interests	1 000	41	1 041	3 246	-97	3 149
Tax	-324	-16	-340	-1 024	18	-1 006
Profit before minority interests	676	25	701	2 222	-79	2 143
Minority interests	-16		-16	-34		-34
Profit attributable to equity holders of the parent	660	25	685	2 188	-79	2 109
Earnings per share, EUR						
Basic	0.14	0.01	0.15	0.47	-0.01	0.46
Diluted	0.14	0.01	0.15	0.47	-0.01	0.46
Average number of shares (1 000 shares)						
Basic	4 564 585		4 564 585	4 621 507		4 621 507
Diluted	4 572 177		4 572 177	4 628 256		4 628 256

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	Previously reported 10-12/2004	Impact of IFRS 2 & IAS 39 R	Revised 10-12/2004	Previously reported 1-12/2004	Impact of IFRS 2 & IAS 39 R	Revised 1-12/2004
Net sales	9 063	393	9 456	29 267	104	29 371
Cost of sales	-5 690	-284	-5 974	-18 133	-46	-18 179
Research and development expenses	-1 053	-11	-1 064	-3 733	-43	-3 776
Selling and marketing expenses	-784	-3	-787	-2 552	-12	-2 564
Administrative, general and other expenses	-193	-2	-195	-571	-7	-578
One-time item	38		38	148		148
Amortization of goodwill	-24		-24	-96		-96
Operating profit	1 357	93	1 450	4 330	-4	4 326
Share of results of associated companies	-10		-10	-26		-26
Financial income and expenses	116		116	405		405
Profit before tax and minority interests	1 463	93	1 556	4 709	-4	4 705
Tax	-411	-29	-440	-1 435	-11	-1 446
Profit before minority interests	1 052	64	1 116	3 274	-15	3 259
Minority interests	-33		-33	-67		-67
Profit attributable to equity holders of the parent	1 019	64	1 083	3 207	-15	3 192
Earnings per share, EUR						
Basic	0.23	0.01	0.24	0.70	-0.01	0.69
Diluted	0.23	0.01	0.24	0.70	-0.01	0.69
Average number of shares (1 000 shares)						
Basic	4 508 880		4 508 880	4 593 196		4 593 196
Diluted	4 516 591		4 516 591	4 600 337		4 600 337

IMPACT OF RETROSPECTIVE IMPLEMENTATION OF IAS 39R**NET SALES BY QUARTER 2004****Previously reported Net Sales**

	1-3/2004	4-6/2004	7-9/2004	10-12/2004	1-12/2004
Mobile Phones	4 251	4 167	4 429	5 660	18 507
Multimedia	776	739	914	1 230	3 659
Enterprise Solutions	189	189	172	280	830
Networks	1 415	1 576	1 470	1 906	6 367
Eliminations	-6	-31	-46	-13	-96
Nokia Group	6 625	6 640	6 939	9 063	29 267

Impact of adopting IAS 39R

	1-3/2004	4-6/2004	7-9/2004	10-12/2004	1-12/2004
Mobile Phones	-171	-117	91	211	14
Multimedia	-32	-10	17	42	17
Enterprise Solutions	-5	-4	3	15	9
Networks	-69	-46	54	125	64
Nokia Group	-277	-177	165	393	104

Revised Net Sales

	1-3/2004	4-6/2004	7-9/2004	10-12/2004	1-12/2004
Mobile Phones	4 080	4 050	4 520	5 871	18 521
Multimedia	744	729	931	1 272	3 676
Enterprise Solutions	184	185	175	295	839
Networks	1 346	1 530	1 524	2 031	6 431
Eliminations	-6	-31	-46	-13	-96
Nokia Group	6 348	6 463	7 104	9 456	29 371

IMPACT OF RETROSPECTIVE IMPLEMENTATION OF IFRS 2 AND IAS 39R**OPERATING PROFIT BY QUARTER 2004****Previously reported Operating Profit**

	1-3/2004	4-6/2004	7-9/2004	10-12/2004	1-12/2004
Mobile Phones	1 089	797	822	1 060	3 768
Multimedia	2	-74	87	164	179
Enterprise Solutions	-31	-59	-66	-43	-199
Networks	182	255	181	260	878
Common Group Functions	-104	-12	-96	-84	-296
Nokia Group	1 138	907	928	1 357	4 330

Impact of adopting IFRS 2

	1-3/2004	4-6/2004	7-9/2004	10-12/2004	1-12/2004
Mobile Phones	-2	-2	-2	-2	-8
Multimedia	-2	-3	-2	-3	-10
Enterprise Solutions	-2	-3	-2	-2	-9
Networks	-4	-6	-6	-6	-22
Common Group Functions	-3	-3	-4	-3	-13
Nokia Group	-13	-17	-16	-16	-62

Impact of adopting IAS 39R

	1-3/2004	4-6/2004	7-9/2004	10-12/2004	1-12/2004
Mobile Phones	-58	7	28	49	26
Multimedia	-22	13	8	7	6
Enterprise Solutions	-2		-1	1	-2
Networks	-24	-22	22	52	28
Common Group Functions					
Nokia Group	-106	-2	57	109	58

Revised Operating Profit

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	1-3/2004	4-6/2004	7-9/2004	10-12/2004	1-12/2004
Mobile Phones	1 029	802	848	1 107	3 786
Multimedia	-22	-64	93	168	175
Enterprise Solutions	-35	-62	-69	-44	-210
Networks	154	227	197	306	884
Common Group Functions	-107	-15	-100	-87	-309
Nokia Group	1 019	888	969	1 450	4 326

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding: A) the timing of product and solution deliveries; B) our ability to develop, implement and commercialize new products, solutions and technologies; C) expectations regarding market growth, developments and structural changes; D) expectations and targets for our results of operations; E) the outcome of pending and threatened litigation; and F) statements preceded by believe, expect, anticipate, foresee, target, designed or similar 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) the extent of the growth of the mobile communications industry and the new market segments in which we have recently invested; 2) price erosion; 3) timing and success of the introduction and roll-out of new products and solutions; 4) competitiveness of our product portfolio; 5) our failure to identify key market trends and to respond timely and successfully to the needs of our customers; 6) the impact of changes in technology and the success of our product and solution development; 7) the intensity of competition in the mobility industry and changes in the competitive landscape; 8) our ability to control the variety of factors affecting our ability to reach our targets and give accurate forecasts; 9) the availability of new products and services by network operators and other market participants; 10) general economic conditions globally and in our most important markets; 11) our success in maintaining efficient manufacturing and logistics as well as the high quality of our products and solutions; 12) inventory management risks resulting from shifts in market demand; 13) our ability to source quality components without interruption and at acceptable prices; 14) our success in collaboration arrangements relating to technologies, software or new products and solutions; 15) the success, financial condition, and performance of our collaboration partners, suppliers and customers; 16) any disruption to information technology systems and networks that our operations rely on; 17) our ability to have access to the complex technology involving patents and other intellectual property rights included in our products and solutions at commercially acceptable terms and without infringing any protected intellectual property rights; 18) our ability to recruit, retain and develop appropriately skilled employees; 19) developments under large, multi-year contracts or in relation to major customers; 20) exchange rate fluctuations, including, in particular, fluctuations between the euro, which is our reporting currency, and the US dollar, the UK pound sterling and the Japanese yen; 21) the management of our customer financing exposure; and 22) the impact of changes in government policies, laws or regulations; as well as 23) the risk factors specified on pages 12-22 of the company's Form 20-F for the year ended December 31, 2004 under Item 3.D Risk Factors.

Nokia, Helsinki April 21, 2005

Media and Investor Contacts:

Corporate Communications, tel. +358 7180 34495 or +358 7180 34900

Investor Relations Europe, tel. +358 7180 34289

Investor Relations US, tel. +1 914 368 0555

www.nokia.com

Nokia will report 2Q results on July 21, 2005.

A results announcement for the 3Q 2005 is planned for October 20, 2005.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant, Nokia Corporation, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 21, 2005

Nokia Corporation

By: /s/ Ursula Ranin
Name: Ursula Ranin
Title: Vice President, General Counsel