

Nokia Posts \$1.2B Loss As Sales Plummet

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HELSINKI (AP) — Struggling cellphone maker Nokia has suffered one of its worst quarterly results ever, blaming tough competition for a huge euro929 million (\$1.2 billion) net loss as sales plunged, especially in the smartphone market.

The first-quarter loss compared with a net profit of euro344 million in the same period last year and came as revenues slid 30 percent to euro7.4 billion, Nokia Corp. said Thursday.

Its share price tumbled more than 3.5 percent to close at euro3.63 (\$4.75) on the Helsinki Stock Exchange, even though investors had been prepared for poor results.

The Finnish company is fighting stiff competition from the likes of Apple Inc.'s iPhone and cellphone makers using Google Inc.'s popular Android software — such as Samsung Electronics Inc. and HTC of Taiwan.

It said net sales of devices crashed 40 percent to euro4.2 billion, with smartphone sales down by more than half at euro1.7 billion, as it failed to assert a challenge in the smartphone race with new Windows-based handsets a year after teaming up with Microsoft Corp.

It also issued a grim outlook for the second quarter, saying earnings would be "similar to, or below" those of the first quarter and that it will speed up its goal to cut costs by euro1 billion by 2013.

CEO Stephen Elop described the quarter as "disappointing," conceding that Nokia had faced "greater than expected competitive challenges."

He said the company will get rid of noncore assets and focus on "making any necessary changes to our organization, structure or team," but gave no details.

"We are navigating through a significant company transition in an industry environment that continues to evolve and shift quickly," Elop said.

The head of Nokia's global sales, Colin Giles, will leave after two years in the job, Nokia said, as it restructures the sales unit, "reducing a layer of sales management."

Sales in China — the company's second-largest market — plunged 70 percent in the quarter to euro577 million, with a 35-percent drop in Europe, its largest market, to euro1.35 billion.

Nokia has been the leading handset maker since 1998, but after reaching a global goal of 40 percent market share in 2008 its share has shrunk to below 29 percent

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last year, when it sold some 419 million devices. It is expected to soon lose its status as the biggest maker of handsets.

"This was definitely one of Nokia's worst quarters ever," said Neil Mawston from Strategy Analytics. "Nokia's problem in developed markets is spreading to developing markets and that is causing a lot of their challenges. I think we'll see Samsung overtaking Nokia as the biggest volume maker of handsets."

Mawston reckons Nokia's global market share fell to some 22 percent in the first quarter, with smartphone share plunging to a record-low of 8 percent.

The former bellwether of the industry has lost its dominant position against the likes of Apple and Google in the growing smartphone segment. It has also been squeezed in the low-end by Asian manufacturers making cheaper phones, such as China's ZTE.

Nokia hopes to remedy its slide with the new Windows Phone 7, launched in October, eight months after Elop announced a partnership with Microsoft. Nokia says the Windows operating system will be the main platform in its new phones, phasing out the MeeGo and Symbian platforms, considered clumsy by many operators.

Nokia has since launched several versions of Windows-based Lumia phones. Its cheapest — the Lumia 610 — was unveiled Thursday for Asian markets with an expected price tag of some euro190 (\$249).

Still, sales of smartphones dropped to 12 million in the first quarter, from 24 million a year earlier, while volume sales of cellphones fell to 83 million from 108 million in 2011.

The average selling price of Nokia devices also fell, to euro51 from euro65 a year earlier.

"That was one of the biggest surprises — a 22 percent drop year-on-year," Mawston said. "Nokia is not only battling increased competition, they're also battling sharply falling prices."

Elop said Nokia had sold more than 2 million Windows-based Lumia phones in the first quarter and that it had a "clear sense of urgency to move our strategy forward even faster."

In 2011, Nokia announced more than 10,000 layoffs to lower expenses and has not ruled out more cutbacks.

The company has said it would not provide annual targets for 2012 since it was in a "year of transition."

Its ailing network operations — Nokia Siemens Networks, a joint venture between Nokia and Germany's Siemens AG — showed a 7-percent drop in sales to euro2.9

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billion. Nokia said its operating margins would "clearly improve in the second quarter 2012 compared to the first quarter 2012 level of negative 5 percent."

Nokia stock has fallen by half since Elop announced the deal with Microsoft, and it dropped to a 15-year low of euro2.98 earlier this week after Moody's ratings agency downgraded its debt grade to near junk status.

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