

Nokia profit plunges 90 percent in Q1

April 16 2009, By MATTI HUUHTANEN , Associated Press Writer



(AP) -- Nokia Corp. on Thursday said profits plummeted 90 percent in the first quarter because of fading demand for mobile phones amid the worldwide downturn - but its shares surged as analysts had expected an even gloomier report.

The world's top [mobile phone maker](#) said net profit was only euro122 million (\$161 million) compared to euro1.2 billion in the same period last year.

Sales fell 27 percent to euro9.3 billion (\$12.2 billion), from euro12.7 billion in the first quarter of 2008.

Still, [Nokia](#) sold more phones than some had expected, and its share price jumped more than 11 percent to euro11.30 (\$14.91) in Helsinki in

late afternoon trading.

"Although their performance was bad, it wasn't as bad as expected," said Neil Mawston from Strategy Analytics in London. "Everyone talked Nokia down, so there was a general relief that things weren't that bad after all."

Even though the company's profit and sales came in below expectations, investors were relieved that Nokia held on to its market outlook for its key mobile device unit. That reinforced the sense that the market has bottomed out, said FIM Bank analyst Michael Schroeder.

"That's the impression we got from Nokia," he said. "There's also been a general assumption in recent weeks that there are certain lights now in selective markets," he said.

Nokia sold 93 million mobile phones in the period, down 19 percent from 115 million in the year-ago quarter. Mawston said the market was expecting volumes of 90-92 million.

"That seems to be the core driver" of the share price, Mawston said.

Nokia's market share was 37 percent, unchanged from the previous quarter but down 2 percentage points from the first quarter of 2008. Meanwhile, the average selling price of Nokia phones dropped to euro65 (\$86) from euro71 in the previous quarter and euro79 in the first quarter of 2008.

Nokia maintained its previous estimate that mobile device market would shrink by 10 percent this year and held on to its target of boosting market share. However, it downgraded its outlook for the network infrastructure market, saying it expects a 10 percent contraction in 2009. Nokia, which has a joint network unit with Siemens AG of Germany,

had earlier predicted that market would decline 5 percent this year.

Nokia has fared better than many rivals during the world economic slump. But it, too, has been hit by falling demand. Last month it announced 1,700 layoffs worldwide.

An additional 1,000 employees had taken advantage of a voluntary pension program as the company seeks to slash costs, Nokia said.

"The global economy as a whole remains weak and we are planning our business accordingly," chief executive Olli-Pekka Kallasvuo said in a conference call. "I believe the current environment favors Nokia. Our position of strength allows us to maintain our strategic objectives."

Kallasvuo said he was especially pleased with the performance of the Nokia5800, a touch-screen music phone that rivals Apple's iPhone.

"Clearly we are just getting started," Kallasvuo said, adding that Nokia aimed to gain a 20 percent [market share](#) in touch-screen handsets but gave no timeframe.

Nokia, based in Espoo near Helsinki, had 124,000 employees at the end of March, up from 116,000 a year earlier.

On the Net:

Nokia: <http://www.nokia.com> .

©2009 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Nokia profit plunges 90 percent in Q1 (2009, April 16) retrieved 18 April 2024 from <https://phys.org/news/2009-04-nokia-profit-plunges-percent-q1.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.