

Nokia posts 66 pct fall in Q2 profits, shares drop

July 16 2009, By KARL RITTER , Associated Press Writer

(AP) -- The world's top cell phone maker, Nokia Corp., on Thursday said second-quarter earnings fell 66 percent as the global recession sapped demand. The company scrapped its target to gain market share this year and its stock sagged.

Net profit was euro380 million (\$535 million), down from euro1.1 billion in the same period a year earlier. Sales tumbled 25 percent to euro9.91 billion.

Analysts polled by SME Direkt had forecast a profit of euro327 million and sales of euro10.1 billion. [Nokia](#) shares fell 11 percent to euro9.86 (\$13.85) in Helsinki.

Nokia shipped 103 million [mobile devices](#) in the quarter, down 15 percent from a year earlier but slightly better than some analysts had expected. Meanwhile the average selling price of a Nokia handset fell to euro62 - from euro74 a year earlier.

"It almost feels like Nokia has been doing a great job at keeping shipments alive but has been forced to cut prices to keep volumes up," said Neil Mawston, a London-based telecoms analyst at Strategy Analytics.

The Finnish company, which sells about four in 10 mobile devices worldwide, dropped its target to increase market share this year, saying it expects its share of the mobile market to remain unchanged from 2008.

It also downgraded the outlook for its wireless network joint venture, Nokia Siemens Networks, expecting a moderate loss of market share in 2009. The company's earlier target was to keep its share of the network market constant compared to last year.

Nokia CEO Olli-Pekka Kallasvuo said the company performed well in a "tough quarter" and that demand appeared to be bottoming out after falling sharply in recent quarters.

He said Nokia is accelerating its transformation into a "solutions company" that offers not only cell phones, but services and applications as the handset, Internet and media industries converge.

"The mobile industry is undergoing its biggest change in its 20-year history," Kallasvuo told analysts in a conference call.

Highlights in the quarter included the first shipments of the N97 - Nokia's flagship smartphone - and the launch of the Ovi Store, the company's online shop for applications, ring tones and other content. Ovi Store is similar to Apple's "App Store" for the iPhone and Google's software marketplace for Android phones.

Nokia's [market share](#) in mobile devices climbed to 38 percent in the second quarter, from 37 percent in the previous three months, but was still down from 40 percent a year earlier.

Mobile phone sales have dropped off sharply in the economic slump. Global shipments fell 13 percent to 245 million units in the first quarter, the sharpest annual decline since the mobile phone industry started in the 1980s, according to research firm Strategy Analytics.

Sony Ericsson, the world's fifth largest cell phone maker, posted its fourth consecutive quarterly loss earlier Thursday.

Though market leader Nokia has weathered the crisis better than some smaller competitors, it has been forced to cut thousands of jobs because of falling demand and lower handset prices.

A household name in Asia and Europe, Nokia is a smaller player in the United States, where its smartphones face tough competition from Apple Inc. and Research in Motion Ltd., the makers of the iPhone and BlackBerry.

Nokia shipped only 3.2 million devices in North America in the second quarter, down nearly 30 percent from the same period last year.

Analysts say the company has been slow to catch on to U.S. trends such as clamshell phones and touchscreens, while failing to develop strong relationships with the top U.S. network operators.

Associated Press Writer Malin Rising contributed to this report.

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