Nokia Q2 profit falls 40 pct to $290 million

July 22 2010, By MATTI HUUHTANEN , Associated Press Writer

(AP) -- Nokia Corp. said Thursday that second-quarter net profit fell 40 percent to euro227 million ($290 million) as the world's largest mobile phone maker lost market share and sales remained flat. Analysts, however, noted its sales of smart phones were better than expected.

The profit was down from a net profit of euro380 million in the same period last year, the company said. Revenue grew a mere 1 percent in the period to euro10 billion from euro9.9 billion a year earlier.

Nokia's overall market share fell to 33 percent in the quarter 2010, down from 35 percent a year earlier. But it said market share in the smart phone sector remained at 41 percent - unchanged from the previous year and the first quarter of 2010, despite strong competition from iPhone-maker Apple Inc., and Research in Motion Ltd., which makes BlackBerry handsets.

"Nokia managed to hold onto that market," said Neil Mawston, analyst at London-Based Strategy Analytics. "They actually sold 24 million smart phones, more than our forecasts, and that's what maybe is helping to support the shares a little bit."

Nokia shares were up more than 3 percent at euro7.21 ($9.26) in afternoon trading in Helsinki.

The company repeated its prediction that the global mobile market will grow 10 percent this year while its own growth would remain flat. Nokia said it sold 111 million handsets in the quarter, up 8 percent on 2009.

It also sold a record 24 million smart phones, up 42 percent on a year earlier.

The company remains the leader in the global mobile market, with 432 million devices sold last year, more than its three closest rivals combined, but competition in the smart phone sector was seen as being too much for the former industry bellwether.

Now, Mawston says, those rivals may be feeling some pressure as well.

"The challenges are no longer unique to Nokia - they're impacting other players in the market ... Blackberry and Apple are also under a little bit of pressure," Mawston said. "Despite the iPhone attack, maybe Nokia isn't doing quite as badly as everyone thought."

But the company's share price has fallen more than 20 percent since the beginning of the year, aided by two profit warnings, and CEO Olli-Pekka Kallasvuo has come under increasing pressure with speculation that he will be replaced.

On Thursday, he conceded the rumors were hurting the company.

"This kind of speculation is not good for Nokia, and in one way or other we should be able to solve the problem to end the speculation," he told Finnish broadcaster YLE.

Nokia has been slow at detecting new trends, like folding clamshell models and touchscreen handsets, and markets have been expecting something fresh from the company that once had the innovative edge in the industry.

That has not happened since Kallasvuo took over in 2006, and he has also been unable to tackle problems in the North American market, the company's worst performer, despite a pledge to make it a top priority.

In the second-quarter, Nokia saw a further 19 percent drop in sales volumes in North America to a meager 2.6 million units.

Kallasvuo said that models to be launched later this year, using the Symbian software platform, will "give it broader appeal and reach, and kick-start Nokia's fight back at the higher end of the market."

The average selling price of Nokia handsets continued to fall in the quarter to euro61, from euro64 in 2009 and euro62 in the first quarter 2010, while that of smart phones dropped more than 20 percent to euro143 because of tight competition.

Nokia's ailing network sector, Nokia Siemens Networks - a joint venture between Nokia Corp. and Siemens AG of Germany - continued to see revenue fall, by 5 percent in the quarter to euro3 billion, and the company gave a poor outlook for the operations during the next quarter.

The company, based in Espoo near Helsinki, employs 129,000 people worldwide.