

Nokia loss widens on slumping smartphone sales (Update)

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In this Thursday, June 14, 2012, file photo, an Indian shopkeeper selling Nokia mobile phones awaits customers in New Delhi, India. Nokia's net loss more than tripled in the second quarter the company reported Thursday July 19, 2012. (AP Photo/Tsering Topgyal, File)

(AP) — Nokia's net loss nearly quadrupled in the second quarter on sagging sales of smartphones, a market in which the company is struggling to regain ground lost to rivals including Apple and Samsung.

Shares in the company jumped, however, as sales of low-end phones buoyed revenue and shipments of the new Lumia phones, which run on Windows software and will replace the older smartphone models, were not as bad as feared.

Nokia posted Thursday a net loss of €1.41 billion (\$1.72 billion),

compared with a loss of a €368 million in the same period last year.

Overall sales were down 19 percent to €7.54 billion, not as low as analysts' forecast of €7.36 billion, according to financial data provider FactSet. Smartphone sales were the weak point, dropping 34 percent to €1.54 billion, as shipments of the new Lumia devices could not make up for a slump in demand for the older models.

Nokia shares closed up 12 percent at €1.54 in Helsinki. Analyst Mikko Ervasti at Evli Bank in Helsinki said Nokia performed better than expected in lower-end devices, boosting the total number of Nokia phones shipped in the quarter to 84 million, compared to market expectations of 80 million.

The Finnish company was the world's leading mobile phone maker for more than a decade but was overtaken by Samsung in the first quarter, according to research firm Gartner.

Facing stiff competition from Apple's iPhone and devices running on Google's Android software, Nokia tried to stem the decline in smartphones in part through a partnership with Microsoft announced last year, replacing Nokia's existing Symbian operating platform with Microsoft's Windows Phone software.

A drop in sales was expected during this transition period, and Nokia said that the decline of Symbian phones dragged down sales in all regions except for North America, where the decline was "more than offset" by sales of the Lumia devices. Nokia said it sold 4 million Lumia phones worldwide in the quarter — double the amount in the first quarter.

"That was a relief. It took away some fears that the market had," Ervasti said.

Questions arose about Lumia sales in the U.S. earlier this week when Nokia and AT&T halved the price of the flagship Lumia 900 to \$50, just three months after its introduction. Nokia called the cut "a normal strategy that is put in place during the life cycle of most phones."

Nokia's global market share has steadily shrunk from the peak of 40 percent in 2008 to 29 percent in 2011 and is expected to dwindle further this year. Meanwhile, Nokia shares have fallen to their lowest level since the 1990's, plunging below €2 in mid-June.

Last month, Nokia announced plans to slash 10,000 jobs and close down research and development facilities in Ulm, Germany, and Burnaby, Canada, as well as its main manufacturing plant in Salo, Finland. Nokia aims to save €1.6 billion through these measures by the end of next year.

In the earnings statement, Nokia's CEO Stephen Elop said the third quarter would "remain difficult" as the phase-out of Symbian phones continues. He said the upcoming launch of a new version of the Windows operating system — Windows Phone 8 — would be an "important catalyst for Lumia."

Nokia is expected to be among the first manufacturers to launch Windows Phone 8 devices in the fourth quarter, but Elop gave no details on that.

"We're committed to Windows Phone as our primary smartphone strategy," he said in a conference call later Thursday. "We've learned that it takes a tremendous amount of work to break through ... and we're viewing the launch of Windows Phone 8 as an important moment in this journey."

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