

# Microsoft to buy Nokia phones, patents for \$7.2B

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This Feb. 11, 2011 file photo shows Stephen Elop CEO of Nokia, left, with CEO of Microsoft Steve Ballmer, speaking in London, as he announces the strategic partnership with Microsoft. Microsoft says it is buying Nokia's devices and services business, and getting access to the company's patents, for a total of 5.44 billion euros (\$7.2 billion) in an effort to expand its share of the smartphone market. Nokia confirmed the deal in a joint news release from the two companies Monday Sept. 2, 2013. (AP Photo/Alastair Grant, File)

Microsoft Corp. is buying Nokia Corp.'s line-up of smartphones and a portfolio of patents and services in an attempt to mount a more formidable challenge to Apple Inc. and Google Inc. as more

technological tasks get done on mobile devices instead of personal computers.

The 5.44 billion euros (\$7.2 billion) deal announced late Monday marks a major step in Microsoft's push to transform itself from a software maker focused on making operating systems and applications for desktop and [laptop computers](#) into a more versatile and nimble company that delivers services on any kind of Internet-connected gadget.

Microsoft, which is based in Redmond, Washington state, is being forced to evolve because people are increasingly pursuing their digital lives on smartphones and [tablet computers](#), causing the demand for PCs to shrivel. The shift is weakening Microsoft, which has dominated the PC software market for the past 30 years, and empowering Apple, the maker of the trend-setting iPhone and iPad, and Google, which gives away the world's most popular mobile operating system, Android.

Nokia, based in Espoo, Finland, and Microsoft have been trying to make inroads in the smartphone market as part of a partnership forged in 2011. Under the alliance, Nokia's Lumia smartphones have run on Microsoft's Windows software, but those devices haven't emerged as a popular alternative to the iPhone or an array of Android-powered devices spearheaded by Samsung Electronics' smartphones and tablets.

Microsoft is betting it will have a better chance of narrowing the gap if it seizes complete control over how the mobile devices work with its Windows software.

"It's a bold step into the future—a win-win for employees, shareholders and consumers of both companies," Microsoft CEO Steve Ballmer said in a statement.

The acquisition is being made at the same time that Microsoft is looking

for a new leader. Just 10 days ago, Ballmer, 57, announced he will relinquish the CEO reins within the next year in a move that many analysts regarded as Microsoft's tacit admission that the company needed an infusion of fresh blood to revitalize itself.

The deal could fuel speculation that Nokia's CEO, former Microsoft executive Stephon Elop, will emerge as a top candidate to succeed Ballmer. Elop will step aside as Nokia's president and CEO to become executive vice president of Nokia devices and services in preparation for joining Microsoft once the acquisition closes. Chairman Risto Siilasmaa will stay in his current role and assume the duties of interim CEO.

Microsoft hopes to complete the deal early next year. If that timetable pans out, about 32,000 Nokia employees will transfer to Microsoft, which currently has about 99,000 workers.

The proposed price consists of 3.79 billion euros (\$5 billion) for the Nokia unit that makes mobile phones, including its line of Lumia smartphones that run Windows Phone software. Another 1.65 billion euros (\$2.2 billion) will be paid for a 10-year license to use Nokia's patents, with the option to extend it indefinitely.

It will represent the second most expensive acquisition in Microsoft's 38-year history, ranking behind an \$8.5 billion purchase of Internet calling and video conferencing service Skype. Tony Bates, who ran Skype, is also regarded as a potential successor to Ballmer.

The money to buy Nokia's smartphones and patents will be drawn from the nearly \$70 billion that Microsoft held in overseas accounts as of June 30.

Microsoft's expansion into mobile devices hasn't fared well so far. Last year, the company began selling a line of tablets called Surface in hopes

of undercutting Apple's iPad. The version of Surface running on a revamped version of Microsoft's Windows operating system fared so poorly that the company absorbed a \$900 million charge in its last quarter to account for the flop.

Nokia plans to hold a news conference in Finland on Tuesday morning to discuss the deal. Microsoft executives will elaborate on their rationale for the deal shortly after Nokia wraps up its presentation.

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