

Microsoft-bound Nokia business sees sales slide (Update 3)

January 23 2014, by Matti Huuhtanen



In this Monday, Feb. 25, 2013 file photo, Stephen Elop, chief executive officer of Nokia, speaks during a conference at the Mobile World Congress, the world's largest mobile phone trade show, in Barcelona, Spain. Nokia reports quarterly earnings on Thursday, Jan. 23, 2014. (AP Photo/Manu Fernandez, File)

The Nokia handsets business that Microsoft is due to take over saw sales continue to slide in the fourth quarter as its Lumia smartphones failed to draw business away from larger competitors like Apple and Samsung.

Shares in Nokia Corp. slumped Thursday after the company said it

suffered a net loss of 25 million euros (\$34 million) in the October to December period, with smartphone sales plunging 29 percent.

Nokia stock closed down more than 10 percent at 5.11 euros in Helsinki.

The devices and services unit, which will be transferred to Microsoft Corp., saw sales fall to 2.6 billion euros from 3.7 billion euros a year earlier. The unit recorded an operating loss of 198 million euros compared with a profit of 97 million a year earlier.

Nokia sold 30 million Lumia handsets in the full-year 2013, about twice as many as in 2012. It also unveiled several Lumia models, including its first large screen smartphones and its first tablet, the Lumia 2520.

But it failed to pose a challenge to the leaders in the lucrative smartphone sector, Apple Inc. and Samsung Electronics.

Neil Mawston from Strategy Analytics said the results were disappointing for the former industry bellwether, which has seen a steady decline since it commanded a 40 percent global market share of mobile phones in 2008.

"It was a bit of soft performance for Nokia in its final show," Mawston said. "The operating loss was the main surprise of the result."



In this Tuesday, Jan 21, 2014 photo, Nokia's Asha mobile phones on display, in a mobile phone shop, in Helsinki, Finland. Nokia Corp. has reported a fourth-quarter net loss of 25 million euros (\$34 million) as the struggling company saw sales smartphone sales plunge 29 percent. Nokia says that the devices and services unit, which it is selling to Microsoft Corp., saw sales fall to 2.6 billion euros in the quarter, down from 3.7 billion a year earlier. It recorded an operating loss of 191 million euros compared with an operating profit of 97 million a year earlier. (AP Photo/Lehtikuva, Antti Aimo-Koivisto)

In a strategic shift, Nokia teamed up with Microsoft Corp. in 2011 hoping to turn the downward trend but it has been further hit by competition from the lower end, by cheaper producers of mobile phones in Asia and China.

Last year, it agreed to a 5.4 billion-euro (\$7.2 billion) sale of its ailing handset unit to Microsoft. Shareholders overwhelmingly approved the deal in November and it is expected to be closed during the current

quarter, subject to regulatory approval.

Nokia chairman and acting CEO Risto Siilasmaa described the fourth quarter as a watershed for the Finnish company, which will focus on the smaller divisions it will have left after the Microsoft deal.

"While the first quarter of the year is seasonally weak for our continuing operations, we continue to expect the closing of the Microsoft transaction to significantly improve Nokia's earnings profile," Siilasmaa said.

The company expects growth in its networks division, especially in in China, Africa and possibly the Middle East, but gave few details.



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Nokia gave scant information about the handset unit and did not say who would succeed Stephen Elop as Nokia CEO. Elop, who left Microsoft in 2010 to become Nokia's chief executive, has stepped down to be executive vice president of devices and services before he rejoins Microsoft once the acquisition of the unit closes.

Nokia did not say if it would pay a dividend to shareholders pending the closing of the transaction with Microsoft, when the company's other strategies would also be disclosed.

Nokia's continuing operations, including its solutions and networks unit, HERE mapping services and advanced technologies saw sales slump to 3.4 billion euros in the fourth quarter, down 21 percent from a year earlier.

The company's continuing operations employed 55,000 at the end of the year, down 16 percent from 2012.

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Citation: Microsoft-bound Nokia business sees sales slide (Update 3) (2014, January 23) retrieved 26 June 2024 from <https://phys.org/news/2014-01-nokia-smartphone-sales-profits-plunge.html>

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