Nokia eyes turnaround with new CEO, dividend (Update 2)

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New President and Chief Executive Officer of Nokia Rajeev Suri attends the press conference where Nokia announced first quarter earnings in Espoo, Finland Tuesday, April 29, 2014. (AP Photo/Lehtikuva, Heikki Saukkomaa)

Nokia is planning for a turnaround now that it has sold its lossmaking handset business to Microsoft, naming on Tuesday a new CEO, promising to pay dividends again and laying out its vision for its remaining operations.

For the first quarter—the last for which it will include figures for its cellphones unit—Nokia said its net loss was 239 million euros (173 million) compared with a loss of 272 million a year earlier. Revenue fell to 2.6 billion euros from 3.1 billion euros, with mobile device sales plunging 30 percent.

To lead the Finnish company in its focus on the remaining businesses of networks, software, and maps, it named Rajeev Suri, the Indian-born former head of Nokia Solutions and Networks, to become CEO on May 1. The 46-year-old, who joined Nokia in 1995, has been largely credited with a turnaround in the company's networks sector.

Nokia Corp.'s shares closed up 3 percent at 5.29 euros on the Helsinki Stock Exchange.

Neil Mawston from Strategy Analytics said that a "relief factor" partly explained the increase in the company's share price.

"The burden of old Nokia has gone and it's a fresh start with the new Nokia," Mawston said.

Nokia, which completed the 5.44 billion-euro sale of its troubled devices and services unit and a license to a portfolio of patents to Microsoft Corp. last week, said it plans to invest 5 billion euros to "optimize its capital structure," including paying 1.8 billion euros in dividends for 2013 and 2014.

New President and Chief Executive Officer of Nokia Rajeev Suri, right, speaks beside Chairman of the Board of Directors and interim CEO of Nokia Risto Siilasmaa during the press conference where Nokia announced first quarter earnings in Espoo, Finland Tuesday, April 29, 2014. Nokia Corp. says it continued to be hit by fierce competition in the first-quarter with a 30 percent fall in sales of mobile devices, the troubled unit it sold to Microsoft last week. (AP Photo/Lehtikuva, Heikki Saukkomaa)

Suri gave an upbeat forecast, saying Nokia will continue expansion of its networks business, which serves 90 of the world's 100 largest operators, and focus on its mapping services for car navigation systems, where it has an 80 percent market share with its HERE maps.

The technology division will further invest in improving its innovation portfolio and explore new technologies with a team that includes hundreds of scientists and engineers.

"Nokia's strategy is to develop its three businesses in order to realize its vision of being a technology leader in a connected world and, in turn, create long-term shareholder value," said Suri, who described Nokia as one of the world's largest software companies.

He also said Nokia was set to negotiate new contracts concerning its licenses.

"All three areas looking a lot healthier for the new Nokia, now that the old Nokia partner has been jettisoned," said Mawston from Strategy Analytics.

Despite the slide in smartphones, Nokia maintained its position in the first quarter as the world's second largest maker of mobile phones, which includes feature phones, according to research released by Strategy Analytics on Tuesday.

It had a market share of 12 percent, shipping 47 million devices, behind Samsung's 28 percent and 113 million units but just ahead of Apple's 11 percent share and 43.7 million units, Strategy Analytics said.

Nokia began as a maker of paper and gum boots in 1865 and transformed into a home electronics company before becoming an innovator in the wireless industry from where it moved into mobile telephony. But it was unable to sustain its role as the trendsetter and since its peak in 2008 when it led the cellphone business with a 40 percent global market share, the company struggled to stay competitive in the lucrative smartphone sector against the likes of Apple Inc.'s iPhone, Samsung Electronics and Asian brands which sold cheaper smartphones.

Several Nokia models flopped and it failed to sense popular trends such as touchscreen models and folding clamshell phones. Its operating systems also lagged behind, particularly compared with Google Inc.'s popular Android.

In an attempt to reverse the slide, it teamed up with Microsoft in 2011, replacing its old operating system with one based on Windows, but consumers didn't warm to the Windows Lumia handsets, and Microsoft bought the unit in an attempt to mount a challenge to Apple and Google as more technological tasks are done on mobile devices instead of personal computers.

As part of the Microsoft deal, 25,000 Nokia employees, including 4,700 in Finland, moved over to the U.S. giant, leaving Nokia with 55,300 workers worldwide.

Its headquarters in Espoo, near the Finnish capital Helsinki, were taken over by Microsoft last weekend and the company moved its personnel to a new head office nearby.