

Nokia makes loss on low demand, costs of Alcatel-Lucent deal

August 4 2016, by Jari Tanner

Finnish telecom company Nokia Corp. reported Thursday a second-quarter net loss of 665 million euros (\$738 million) due to weak demand for mobile networks and the costs of integrating its acquired competitor Alcatel-Lucent.

The wireless equipment maker said the loss compared with a profit of 347 million euros a year earlier, a figure that does not include Alcatel-Lucent in the accounts.

The combined net sales of Nokia and Alcatel-Lucent were 5.6 billion euros in the April-June period, compared with Nokia's 2.9 billion euros a year earlier when it hadn't yet merged with the French telecom gear maker. When comparing like-for-like businesses, Nokia's revenue fell to 5.7 billion euros from 6.4 billion euros.

CEO Rajeev Suri said the company was now targeting cost savings of 1.2 billion euros in 2018, an upgrade to the earlier announced estimate of combined Nokia and Alcatel-Lucent synergies of 900 million euros.

Suri said he was particularly worried over the declining trend in Nokia's revenue that "reflects challenging market conditions" and he didn't expect the market situation to improve in the near term.

In both North America and Europe - two of Nokia's key sales areas - revenue dropped by 12 percent year-on-year, while the fall was somewhat smaller in the Asia-Pacific region and China with a decline of

6 and 5 percent respectively.

Nokia is not the only company in the industry to suffer from meager demand as the wireless equipment maker Ericsson last month reported a 26 percent drop in second-quarter profits, citing lower company investments amid a weakening global economy.

Nokia shares were down nearly 5 percent at 4.72 euros in midday trading in Helsinki.

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