

Nokia cuts more jobs as high-speed network deals come slowly

October 25 2018, by Jari Tanner

Telecom networks provider Nokia reported Thursday lower third-quarter earnings and said it would start a new cost-cutting program as it waits for demand for the new 5G systems to pick up.

The Finnish company said its net profit for the July-September period fell to 309 million euros (\$352 million) from 516 million euros a year earlier. Sales were nearly flat at 5.5 billion euros.

Nokia said it aims to make another annual savings of 700 million euros by the end of 2020.

"Our industry is one where a constant focus on costs is essential," Nokia CEO Rajeev Suri said.

The cost cuts will come on top of a current 1.2 billion-euro savings plan launched shortly after the 2016 acquisition of the French-U.S competitor Alcatel-Lucent.

Nokia didn't provide details on the expected job cuts from the new scheme but Suri said in an interview with CNBC that "thousands" of people were expected to be laid off globally.

In an investor call later Thursday, he said redundancies would largely be a result of Nokia's further investments in digitalization and automation to increase productivity.

"We don't do these things lightly given the expected impact on Nokia's employees but they are the right things to do," Suri said. "As a result, the company is getting faster, simpler and more agile. We're not sitting still at Nokia."

Nokia, based in Espoo, Finland, has struggled with the industry's low growth as demand for the existing 4G networks has peaked and operators haven't been yet investing heavily in the faster but more expensive next-generation 5G networks.

Suri said the United States has witnessed several 5G deals already in the third quarter - including a major \$3.5 billion Nokia contract with T-Mobile in July - and said this trend was expected to take on in China, Japan, South Korea and the Nordic countries in the fourth quarter.

In a separate statement, Nokia said it has extended a patent license agreement with Samsung, which will make payments to the Finnish company several years. No further details were disclosed.

Nokia's share price was down 1.3 percent at 4.63 euros on the Helsinki stock exchange.

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