

Mobile phone maker Sony Ericsson posts Q1 profit

April 16 2010, By LOUISE NORDSTROM , Associated Press Writer

(AP) -- Mobile phone maker Sony Ericsson posted its first quarterly profit in nearly two years Friday, boosted by gains from high-end devices such as smartphones and cost cuts.

Net profit for the first quarter was euro21 million (\$29 million), compared with a loss of euro293 million a year earlier.

Although sales dipped in the three months ended March 31 to euro1.4 billion, from euro1.74 billion, the gross margin of the LM Ericsson and Sony Corp. [joint venture](#) still jumped to 30.6 percent from a previous 8.4 percent.

Sony Ericsson CEO Bert Nordberg said new high-end devices including the smartphones Xperia X10 and Vivaz, which began shipping at the end of the first quarter, had been "well received" by the market.

Operating costs dropped to euro423 million from euro528 million, helping to bump up the company's bottom-line figures.

"Increases in both gross and operating margins show that we are on the right track to build the correct cost structure for our business organization and strategy," Nordberg said in a statement.

In 2008, Sony Ericsson launched a cost-cutting program under which it had by the end of the quarter had slashed its global work force by around 3,150 people to 8,450.

Sony Ericsson, which aims to cut operating costs by euro880 million said the program is running according to plan, with full benefit still expected in the second half of this year. Total costs associated with it now amounts to euro342 million.

The group said it shipped 10.5 million units in the quarter, a 28 percent decrease compared with the same three months in 2009. It was down from the 14.6 million units shipped in the fourth quarter.

The average selling price for its phones also jumped substantially, increasing 12 percent both sequentially and year-on-year.

Ericsson shares were largely unchanged at 79.55 kronor (\$11.12).

Helena Nordman-Knutson, an analyst with Ohman Fondkommision in Stockholm, called the report "really good."

"If only this is long-term it is fantastic," she said, adding "it's the new phones that are behind this."

The first-quarter profit took the market by surprise she said, saying a turnaround had not been on the analyst cards just yet.

"We thought we'd have to wait until at least next quarter."

The report represented the first net [profit](#) for Sony Ericsson since the second quarter of 2008, Redeye analyst Greger Johansson said.

After enjoying strong sales of products such as its Walkman music phones, [Sony Ericsson](#) was hard hit by the economic downturn, losing ground to some of its competitors.

"It was a combination of becoming a bit too content with what they had

already accomplished as well as by failing to stay as a front-runner on the technology side," Johansson said.

In a separate statement later Friday, the group said it had appointed William Glaser Jr. as its new CFO. He succeeds Ulf Lilja.

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