

Nokia CEO: Co. to get billions from Microsoft

February 13 2011, By PETER SVENSSON , AP Technology Writer

(AP) -- Nokia Corp. will get billions of dollars from Microsoft Corp. to ditch its current smart-phone software in favor of Windows Phone 7, Nokia CEO Stephen Elop said Sunday, in a defense of the deal.

Nokia, the world's largest maker of phones, and Microsoft announced their alliance Friday. Both investors and employees reacted with dismay: Nokia's stock dived 14 percent and Finnish employees used flex time to go home early.

On Sunday, a day ahead of the start of the Mobile World Congress cell phone trade show in Barcelona, Elop told press, analysts and industry players that apart from the benefits of the alliance that were laid out Friday, Microsoft is paying Nokia billions of dollars to switch to Windows Phone 7.

"This is something I don't think was completely explained," Elop said.

Elop, a former Microsoft executive, said Finland-based Nokia had been courted by Google Inc. as well, which sought to convince it to use its popular Android software for smart phones. Microsoft's payments are recognition that Nokia had "substantial value to contribute," said Elop.

Redmond, Wash.-based Microsoft introduced Windows Phone 7 last year, on phones made by LG Electronics Inc. and HTC Corp., but has only captured a few percentage points of the smart phone market, according to analysts.

Nokia's worldwide market share in smart phones was just over 30 percent in last year's fourth quarter, down from 40 percent a year earlier. Those phones use Symbian, a relatively old software package that wasn't designed to be used with touch screens.

Money and in-kind contributions will flow both ways in the deal, Elop reiterated. Nokia will be contributing its Ovi mapping service and will be paying Microsoft royalties for the use of its software, as other manufacturers do. It will save money by not continuing development of its own software. The net benefit is still in the billions, he said.

Analysts believe Google pays manufacturers to use Android, but no figures have come to light.

Elop was hired in September to shake things up at Nokia, but he may face an uphill battle in getting employees on board. At the Barcelona event, Elop was asked whether he's a "Trojan horse" - a Microsoft insider who's penetrated Nokia and steered it in a direction favorable to Microsoft.

"The obvious answer is 'No,'" Elop said. "Thanks for asking."

He said the decision to go with Windows Phone was unanimous in Nokia's senior management team. Nokia's board approved the deal Thursday night, a day ahead of the announcement in London.

Adding Nokia's market share to that of existing Android phones would have left the world with only two real players in smart phone software, Elop said. He didn't mention the iPhone, but it's the other dominant force in smart phones. A duopoly would have big ramifications for everyone, he said.

"A decision to go with Windows Phone creates a very different

dynamic," Elop said. "It's an environment where now, Windows Phone is a challenger."

Microsoft has made smart phone software for more than a decade. Windows Phone 7 is an attempt to make a clean break with the past, and create an operating system designed for big iPhone-style touch screens.

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