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Results Beat Expectations at Ericsson and Nokia

By KEVIN J. O'BRIEN

Nokia and Ericsson reported better-than-expected financial results on Thursday, lifted by strong demand for cellphones and network gear in Asia, India and other emerging markets.

Shares of Nokia rose more than 10 percent in Helsinki after the company reported a 68 million euros, or \$93.6 million, loss in the third quarter, less than many analysts had expected. The result was helped by an 8 percent increase in global shipments of basic cellphones.

Ericsson, the market leader in phone network equipment, rose more than 5 percent after the company said sales rose 17 percent in the quarter to 55.5 billion Swedish kronor, or \$8.4 billion, from 47.5 billion kronor a year earlier. Adjusted for currency fluctuations, sales rose 24 percent. Net profit rose 6 percent, to 3.8 billion kronor.

Hans Vestberg, the chief executive of Ericsson, said in an interview that the results indicated that the transition to mobile Internet and smartphones was bucking the general economic downturn.

"Increased global smart phone penetration, new devices and the introduction of tiered pricing is driving continued mobile data traffic growth," Mr. Vestberg said. The number of users of mobile Internet services, which deliver speeds comparable to fixed-line networks over wireless grids, rose to 900 million this month from 500 million in January, he said.

Ericsson predicts that the number of mobile broadband subscribers will rise to five billion by 2016. Ericsson's quarterly gains were powered by developing markets, led by Latin America, China and northeast Asia, the Middle East and sub-Saharan Africa. Sales in Scandinavia and central Asia rose 49 percent.

Nokia, the cellphone maker based in Espoo, Finland, disclosed gains in its core basic phones business, which accounts for the bulk of its revenue, after it introduced handsets in India and Asia that operated with two SIM cards, a preference in developing markets. Nokia said shipments of basic handsets rose to 89.8 million units in the quarter from 83.3 million m's a year earlier.

The dual-SIM models, the C2-03 and C2-06, helped Nokia gain market share in India, the company said, without disclosing an exact figure. The company said it expected its overall handset business, which accounted for 60 percent of sales in the quarter, to make an operating profit for the remainder of the year.

“I am encouraged by the progress we made during Q3, while noting that there are still many important steps ahead in our journey of transformation,” said Stephen Elop, the Nokia chief executive, in a statement. “With each step, you will see us methodically implement our strategy, pursuing steady improvement through a period that has known transition risks.”

Nokia’s gains in basic phones partly overshadowed its continuing struggles in the smartphone segment, where the Finnish company is in the midst of a transition from its Symbian-based operating system to a lineup using Microsoft’s Windows Phone mobile software. Nokia is expected to introduce the first phones running Microsoft software next Wednesday.

Sales at Nokia fell 13 percent from a year earlier, to 8.98 billion euros, driven partly by a 39 percent drop in smartphone sales as mobile network operators, which sell the bulk of handsets worldwide, cut stocks of Symbian devices. Sales of Nokia smartphones fell to 2.2 billion euros in the quarter from 3.6 billion euros a year earlier. It shipped 16.8 million smartphones in the period, down 38 percent.

“Nokia results announced today show how painful has been the transition from Symbian to Windows Phones,” said Francisco Jeronimo, an analyst at International Data Corporation in London. “For most mobile operators in Europe, it is completely pointless to support a ‘ghost’ operating system.”