

Nokia Posts \$1.2 Billion Loss as Phone Sales Tumble

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BERLIN — [Nokia](#), struggling to reinvent its smartphone business around [Microsoft's](#) Windows software, said Thursday that it had a loss of €929 million in the first quarter as sales plunged 29 percent because of flagging demand for its older Symbian smartphones.

The loss, equivalent to \$1.2 billion, contrasts with a €344 million profit a year earlier. Sales fell to €7.4 billion in the quarter from €10.4 billion a year earlier. The Nokia president and chief executive, Stephen Elop, said Nokia would accelerate its cost-cutting efforts amid what he described as a mixed response to its new Lumia smartphones with Microsoft.

“Clearly we are disappointed with our performance in the first quarter,” Mr. Elop said during an interview. “At the same time, the numbers mask the totality of what we have accomplished. Lumia is up and running in the U.S.A. We are clearly in the heart of the transition.”

Shares of Nokia fell 5.4 percent in afternoon trading in Helsinki, to €2.86.

The company, based in Espoo, Finland, had warned investors last week of its first-quarter loss, and it expects the losses to continue into the second quarter. The company's loss was exacerbated by a €772 million restructuring charge at Nokia Siemens Networks, its unprofitable network equipment joint venture with Siemens.

On Monday, Moody's downgraded Nokia's long- and short-term debt ratings, citing its deteriorating financial position and questioning its ability to successfully make the transition to Windows from Symbian. The ratings agency warned that Nokia might have to inject more money into Nokia Siemens, which lost a combined €986 million in 2010 and 2011.

Indeed, the situation appeared to worsen in the first quarter, as the venture's operating loss grew to €1 billion after a €142 million loss a year earlier. Sales fell 7 percent, to €2.9 billion.

Timo Ihamuotila, Nokia's chief financial officer, said Nokia Siemens was making progress to restructure the business and return to profitability.

Mr. Ihamuotila added that Nokia Siemens Networks had 53 contracts to build new super-fast mobile networks using Long Term Evolution, or LTE, technology, which he said was more than competitors, which include Ericsson of Sweden and Huawei of China.

“They are executing very well into their strategy,” Mr. Ihamuotila said during an interview. “We as a shareholder are looking at NSN to improve operating performance and give us more options.”

Mr. Elop said Nokia was looking at “trajectories, the number of contracts and customer trends,” among other statistical bellwethers, to gauge the prospects for Nokia Siemens.

To counter the financial downturn, Nokia is pressing ahead with “substantial” additional cost-cutting, Mr. Elop said, and is rapidly bringing the Lumia into new markets. Sales of the Lumia 610, the least expensive model in the lineup, were set to begin in Asia next week in the Philippines.

In coming weeks, the phone will start being sold in China, Singapore, Vietnam, Taiwan, Indonesia and Malaysia. Mr. Elop, who used to run Microsoft's business software division before taking the helm at Nokia, said sales of the Lumia 900 through AT&T Wireless in the United States had exceeded the company's expectations.

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Nokia was taking steps, Mr. Elop said, to increase the available stocks of the cellphones, some of which were running out amid strong demand. In Britain, however, Mr. Elop said Nokia was encountering difficulty raising awareness for Lumia, which was being overshadowed by Apple's [iPhone](#) and devices running Google's [Android](#) operating system.

Mr. Elop said Nokia planned to increase advertising expenditures for Lumia in the second quarter, without giving specifics. To combat the erosion of Nokia's basic cellphone business, Nokia will incorporate features like proxy browsing, an accelerated Internet browser commonly found on more expensive handsets, into its least expensive models.

Francisco Jeronimo, an analyst at International Data Corp. in London, said Nokia's weak financial results had largely been expected by investors, who have been heartened to see gains in sales of the Lumia lineup, which the company introduced last year. Nokia sold more than a million Lumia phones during the fourth quarter of last year.

In the first quarter of this year, the number rose to two million, at an average selling price of €220. It took more than a year for Apple to sell more than two million iPhones consistently in a quarter, Mr. Jeronimo said. And it took Google more than a year and a half to do the same with Android, he added.

"So judged by that measure, Nokia is doing well," Mr. Jeronimo said.

In the short term, however, Nokia continues to suffer.

Sales in Nokia's core devices and services division, which generates up 60 percent of total sales, fell 40 percent in the quarter, to €4.24 billion from €7.1 billion. Sales of smartphones fell 52 percent in the period, to €1.7 billion from €3.5 billion, reflecting weakness in Symbian.

The number of smartphones — both Symbian and Lumia — shipped by Nokia to operators and other sellers fell to 11.9 million from 24.2 million in the quarter the year earlier.

Basic cellphones sales, which account for the bulk of Nokia's handset business, also fell, amid rising competition from low-cost Asian rivals and pressure from Chinese mobile network operators, which are aggressively discounting the prices of basic phones. The average price for a basic Nokia phone fell 18 percent, to €33 from €40 a year earlier.

"It is clear that Nokia is struggling with its smartphone business, but now it looks like it is also struggling with its mobile phone business," said Malik Saadi, an analyst at Informa Telecoms & Media in London.

This article has been revised to reflect the following correction:

Correction: April 19, 2012

An earlier version of this article incorrectly stated that Nokia's quarterly loss was \$1.2 million, rather than \$1.2 billion, because of an editing error.

A version of this article appeared in print on April 20, 2012, in The International Herald Tribune.

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