

# Sony Ericsson Q4 loss narrows 9 percent

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Mobile phone maker Sony Ericsson on Friday said its loss in the fourth quarter narrowed 9 percent from a year ago to euro167 million (\$235 million), as improved margins and lower costs offset a slump in sales.

The figure compared with a euro187 million loss last year, but sales fell 40 percent as the joint venture between LM Ericsson and Sony Corp. was caught unprepared by consumers' rapid shift to touch screen phones.

Bert Nordberg, Sony Ericsson's new president, said that although he expects 2010 to be a challenging year, he is confident the group's cost-cutting measures and move toward more mid- and high-end products has put his company "on the right track."

"We will continue to focus on returning the company to profitability by establishing Sony Ericsson as the communication entertainment brand based on an exciting portfolio," he said, pointing to recently announced products such as its Android-based phone XPERIA X10.

Units shipped in the October-December period amounted to 14.6 million units, up 3 percent from the third quarter but still down 40 percent from the same period a year ago.

For the full year 2009, the net loss amounted to euro836 million, compared with a previous profit of euro73 million.

In 2008, Sony Ericsson launched a cost-cutting program under which it had by the end of 2009 slashed its global workforce by around 2,500 people to 9,100.

Sony Ericsson, which aims to cut operating costs by euro880 million, reiterated that the full effect of the measures are expected in the second half of this year and that restructuring costs are thought to land "well within" its previously announced euro500 million estimate.

In its 2009 estimate for the global handset market, it said it expects unit volumes to have fallen by 8 percent from 2008 to around 1.1 billion units. For the fourth quarter, unit volumes are estimated to be flat from the same quarter a year ago.

The company also said it expects its market share in units — for both the full year 2009 and the fourth quarter — to be around 5 percent.

In its outlook for 2010, it said it expects "a slight" unit growth in the global handset market.

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Greger Johansson, a Stockholm-based analyst at research firm Redeye, said the results were overall better-than-expected, considering the group is actually narrowing its losses. "The sales (figure) isn't excellent, but I think you have to view that as secondary right now. It's more important that the losses aren't growing," he said. "They might be able to swing to a profit in the latter part of 2010."

Johansson said highlights in the report included the improved gross margins, the cost cuts as well as the promise of new handsets.

Ericsson shares rose 1.5 percent in Stockholm to 71.90 kronor (\$9.96) after the report. Ericsson is set to release its fourth-quarter earnings on Monday.

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