Nokia loss tempered by Windows phone launch

KARL RITTERAssociated Press

Mobile phone maker Nokia Corp. on Thursday posted a fourth-quarter net loss of €1.07 billion ($1.38 billion) as sales slumped 21 percent even as the company's first Windows smartphones hit markets in Europe and Asia.

The loss, widened by a €1 billion loss booked on Nokia's navigation systems unit, compares with a profit of €745 million in the same period a year earlier.

Nokia said net revenue — including both its mobile phones and its network divisions — fell from €12.6 billion in the fourth quarter of 2010 to €10 billion, with smartphone sales plunging 23 percent.

Nokia has lost its once-dominant position in the global cell phone market, with Android phones and iPhones overtaking it in the growing smartphone segment.

The Finnish company is attempting a comeback with smartphones using Microsoft's Windows software, a struggle that Nokia CEO Stephen Elop characterized as a "war of ecosystems."

He said Nokia has sold "well over" 1 million such devices since the launch of the Lumia line in the fourth quarter, in line with expectations.

Including other models, Nokia sold 19.6 million smartphones in the quarter, down from 28 million a year earlier. By comparison, Apple sold 37 million iPhones.

The Lumia 800 and Lumia 710 hit stores in Europe and Asia in November, while T-Mobile started offering the 710 in the U.S. in January. Nokia hopes to boost its poor presence in the U.S. with the higher-end Lumia 900, which AT&T will offer later this year.

Elop said Nokia would be shipping Lumia phones to Canada next month and China and South America during the first half of this year.

"With Lumia, our specific intent has been to establish a beachhead in this war of ecosystems, and country by country that is what we are now accomplishing," Elop said in a conference call.

Nokia shares closed up 2.7 percent at €4.16 ($5.38) on the Helsinki Stock Exchange.

Michael Schroeder, analyst at FIM bank in Helsinki, said markets had welcomed Elop's comments on Lumia sales.

"It definitely alleviated concerns about a horror scenario, expected by some.

Although a million is not a lot in the market, it was better than expected," Schroeder said.

The company said it would not provide annual targets for 2012 since it was in a "year of transition" but added that it expects operating margins in the first quarter of this year to be "about break-even, ranging either above or below by approximately 2 percentage points."

It repeated the target of cutting costs by more than €1 billion by 2013.

Neil Mawston from Strategy Analytics in London said Nokia "was not out of the woods yet," but its quarterly result was in line with expectations.

"Nokia is not necessarily dead in the water. Profit margins were a bit higher than expected and Nokia has not lost its third position in smartphones, although it is suffering in North America and western Europe," Mawston said.

Nokia proposed a dividend of €0.20 per share for 2011 and said that chairman and former CEO Jorma Ollila will step down at the annual meeting in May. A nomination committee proposed board member Risto Siilasmaa as the new chairman.

The average selling price of a Nokia handset rose by €2 from the previous quarter to €53 but was down from €69 a year earlier, reflecting a higher proportion of cheaper mobile phones in Nokia's product mix.

The company also reported a 4 percent drop in sales for Nokia Siemens Networks, its joint network equipment unit with Siemens AG of Germany.

After selling four in 10 smartphones worldwide in 2010, Nokia has steadily lost market share to competitors, including Apple and Samsung. It didn't give any market share estimates in the report Thursday, but said its net revenue fell 9 percent to €38.6 billion in the full year 2011, with smartphone sales plunging 27 percent and total mobile phone sales down 18 percent.

Nokia, based in Espoo near the Finnish capital, employs 130,000 people — down from more than 132,000 a year earlier.

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Karl Ritter reported from Stockholm.

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