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## Nokia executive quits as phone sales plummet

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HELSINKI (Reuters) - Nokia dropped its sales chief and promised to slash more costs, as Chief Executive Stephen Elop battles to reinvent the cellphone maker to compete with smartphone rivals.

The Finnish company, which is expected to be overtaken as the world's biggest handset maker by Samsung Electronics, swung to a net loss of 1.6 billion euros in the first quarter, hit by falling sales and heavy restructuring charges.

Analysts said Elop has until the end of the year to improve sales of new Lumia smartphones - Nokia's main weapon in its fight against Apple and Samsung - before investors start to question his position.

Elop launched Nokia's turnaround plan in February 2011 by switching to Microsoft's Windows operating system, in a bid to make its phones more competitive against Apple's iPhone and Samsung's Galaxy. Since then, its shares have crashed by two-thirds as investors doubt whether the strategy will work. Last week, Nokia said sales of the Windows-based Lumia phones fell far short of analysts' estimates, raising fresh concerns.

Nordea analyst Sami Sarkamies said on Thursday Elop had one chance to show he had made the right choice in picking Windows over other options like Google's Android software.

"Elop's faith is fully married to the Windows phone strategy. If it fails, he fails and I don't think he will get a second chance," he said. "If there is no significant improvement during the autumn or towards the end of this year then it will be time to draw conclusions."

Nokia made a loss of 0.08 euro per share for the first quarter, 1 cent wider than a Thomson Reuters StarMine forecast. It warned last week of losses in the first two quarters of the year.

"Clearly we are disappointed by our performance in the first quarter," Elop said on Thursday.

### SALES CHIEF EXITS

Nokia said Colin Giles, head of sales, would leave the firm in June, as it restructures the sales team. Nokia's first-quarter cellphone sales fell 24 percent from a year ago.

The company said Giles was leaving to spend more time with his family and would not be replaced. His boss, markets unit chief Niklas Savander will take on Giles' duties.

China-based Giles had worked at Nokia since 1992 and played a key role in building the company's business in Asia - a region where it now faces tough competition from lower-priced rivals.

Sales in China fell 70 percent in the first quarter from a year earlier.

Nokia said it would announce details of extra, substantial cost cuts soon.

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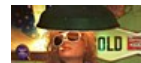
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Its shares closed down 3.6 percent at 2.92 euros, valuing the firm at around 11 billion euros.

Some analysts say the shares are extremely undervalued, taking into account nearly 5 billion euros of cash and its large patent portfolio.

"Nokia's patent portfolio's value is probably over 5 billion euros. Nokia's current valuation is basically patents plus net cash position," Sarkamies said.

Others said Nokia's management was not getting enough credit for the changes implemented over the past year. IDC analyst Francisco Jeronimo noted that Google's Android took time to take off as well.

"Nokia is doing quite well by shipping 2 million Lumia devices in the quarter. It took five quarters for Android to reach the 2 million mark shipments a quarter," he said.

Gartner analyst Carolina Milanesi said Elop should be given more time to execute plans for new phones later this year.

"It is too early to be talking about a new CEO. I would say Elop has until February 2013 - two years from when it all started - to prove the strategy was the right one," she said. "This timing gives him the new version of the Windows phone operating system and the holiday season." (\$1 = 0.7621 euros)

(Additional reporting by Terhi Kinnunen; Writing by Ritsuko Ando; Editing by Erica Billingham)

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