

Motorola issues profits warning

Motorola has warned that it will make a loss for the past three months, blaming weak mobile sales in Asia and Europe.

The US-based firm added that its main mobile phone business was likely to make a loss for the whole of 2007.

The twin profit warnings have increased speculation that the firm's chief executive Ed Zander might step down soon, analysts say.

Motorola - the world's second-largest mobile phone maker - has already announced 7,500 job cuts this year.

'Bleak prospects'

Motorola's shares initially rose on Wednesday in anticipation that Mr Zander may step down, but fell in after-hours trading after the results were digested.

The company said sales for the second-quarter period, from April to June, would now be less than \$8.7bn (£4.3bn). It had previously forecast sales for the period would be about \$9.4bn.

This would result in an estimated loss for the period of between 2 and 4 cents a share, the company added.

Phone shipments over the three months fell to 36 million from 45.4 million in the first quarter of the year.

Analysts reacted harshly to the news, arguing that it reflected real weakness in new product development.

"What we need is products," said Lawrence Harris, from Oppenheimer. "Cost-cutting is not sufficient."

The ability of senior management to turn around the company's fortunes is now being openly questioned.

"With this type of performance and the bleak prospects facing the company for the rest of the year, I don't think Zander's tenure is going to go much further," said Ed Snyder, analyst with Charter Equity Research.

"He's toast. I think it's really close now."

“ What we need is products... cost-cutting is not sufficient ”

Lawrence Harris, Oppenheimer

[See Motorola's share price](#)

Motorola attempted to stem some of the criticism by making limited management changes at its troubled mobile phone operation.

Stu Reed, currently president of the firm's integrated supply chain operation, has been appointed president of the mobile phone arm.

Sony Ericsson boost

Coming up fast on Motorola's heels has been Sony Ericsson, the fourth-largest handset maker. On Wednesday, Sony Ericsson reported increased sales but quarterly profits below market expectations.

Profits rose 55% to 327m euros, below forecasts of 385m euros, as the firm gained market share from Motorola.

Analysts were disappointed that the average selling price fell from 145 euros to 125 euros as the company increased sales in developing countries, selling 24.9 million phones in the quarter, compared with 15.7 million in the same period one year ago.

But Miles Flint, the chief executive of Sony Ericsson, told the BBC that the company was on track to become one of the top three mobile phone manufacturers in the next five years.

He said that the upmarket Sony Ericsson phones - which have particularly featured music and photo capabilities - are selling well in developing countries.

And he added that the firm was well poised to take advantage of the growth of the mobile internet in the future, as download speeds increased and the costs of downloading data to phones continued to fall.

Mr Flint also said that Sony Ericsson's deal with Google to upload pictures and videos from mobile phones to shared content sites like YouTube had been a success.