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BUSINESS

Nokia brand returns under Foxconn

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TAIPEI -- Microsoft is selling its feature phone business to FIH Mobile, a Hong Kong-listed unit of Taiwanese assembler **Hon Hai Precision Industry** and Helsinki-based holding company HMD global for \$330 million. The deal will see the return of the Nokia brand to the global mobile phone and tablet market. The Taiwanese manufacturer licensing the brand for 10 years.

The move by Microsoft reflects the U.S. tech giant's further retrenchment from the smartphone business after its bungled Nokia acquisition. For Hon Hai, or Foxconn Technology Group, the deal provides it with new business opportunities at a time when global demand for smartphones, particularly in emerging markets, is on the wane.

FIH will pay \$330 million while HMD will foot the remaining. Newly established HMD is controlled by HMD management and a private equity fund run by former Nokia executive Jean-Francois Baril. According to his LinkedIn profile, Baril is a senior adviser to Foxconn Chairman Terry Gou. The transaction is expected to close in the second half of 2016.

Nokia will be leasing its brand to HMD for 10 years. HMD said that it would spend over \$500 million in the next three years to market Nokia-branded mobile phones and tablets with plans to launch Android smartphones, and FIH will serve as its manufacturing partner. The license does not include the

"We are looking forward to fostering a strong and long-term collaboration with HMD global and are impressed by the experience and expertise of the HMD management team and are committed with our manufacturing, technology and supply chain capabilities, to capture market opportunities in the future," FIH Chairman Vincent Tong said in a statement on Wednesday.

"Today marks the beginning of an exciting new chapter for the Nokia brand in an industry with a truly iconic name," said Nokia President Ramzi Haidamus in the same statement. "Working with FIH will let us participate in one of the largest consumer electronics markets in the world while staying in our licensing business model."

As part of the deal, FIH will also acquire Microsoft's mobile phone manufacturing facility in Hualien.

Microsoft has been seeing its mobile phone business slump. It sold 2.3 million Lumia smartphones and 6.3 million feature phones in the three-month period through March, compared with 8.6 million Lumia smartphones and 24.7 non-Lumia handsets in the same period last year.

Nokia counts as a major client for FIH, which also makes phones for Chinese smartphone brands like Huawei and Xiaomi.

"Feature phones are a minor business for Microsoft, but it is not so for Foxconn," a person familiar with the deal said. "Through this deal, Foxconn is helping Microsoft get rid of something redundant for the company and improving its chances of doing more business with the U.S. tech giant and Nokia in the future."

FIH is facing tough times as the company has been hit by China's economic slowdown. The H entity warned earlier in May that first-half net profit will plunge as far as 92% to \$10 million o billion, down 35%.

Challenged by headwinds in the China market, FIH simply could not afford to lose Nokia orde phones would offer a better margin than smartphones, people familiar with the situation said.

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