

Nokia Answers the Bell

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01/25/07 - 10:31 AM EST

Nokia (NOK) fans say the mobile phone giant has awoken from its deep sleep.

Signs that the Finnish wireless shop has been roused came early Thursday, when the company released its fourth-quarter results. Unlike rival **Motorola's** (MOT) disappointing report last week, Nokia nailed its fourth-quarter targets while expanding margins and maintaining market share.

Strong fourth-quarter phone sales in Europe, Asia and Latin America helped offset paltry results in the U.S. and China. The improvements came despite the cutthroat pricing effort of Motorola as it scrambled to keep the sales shipments flowing. Shares soared 5% in early trading Thursday.

The fact that Nokia managed to expand its margins in the face of Motorola's steep discounts suggests that Nokia has a stronger hand to play. On a conference call with analysts, Nokia executives said there was "no price war on our part."

That said, CEO Olli-Pekka Kallasvuo signaled that Nokia will be getting aggressive as it introduces a strong set of medium- and high-priced phones along with a new lower-cost tier of phones using fewer components and requiring lower production costs.

"This is definitely the time to turn up the heat," said Kallasvuo, adding that Nokia will "take the benefit of the situation."

But some observers say they have already seen some early benefits.

"I think they already did 'turn up the heat,'" says Sanford Bernstein analyst Paul Sagawa. "I believe they cut prices at entry level in the third quarter, forcing Motorola's hand. Expect Nokia to get aggressive on mid-range as the new products roll," says Sagawa who has a buy rating on the stock.

Nokia started selling its 6300 phone last week, the first ultrathin-design response to a trend the company has been unresponsive to for the past two years. In the coming weeks, Nokia expects to start selling the N95, a big-screen, music-player phone with a 5-megapixel camera.

The company and the industry have high hopes that the N95 will be a suitable foe to the highly anticipated iPhone from **Apple** (AAPL).

With Motorola on the downswing of the product cycle and Nokia on the other side, analysts say business is finally looking up for Nokia.

"This looks to be a good year for Nokia in phones," says Charter Equity Research analyst Ed Snyder, in a note Tuesday.

Nokia shares rose \$1.03 to \$21.24.

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