

## ***Sony Ericsson Q2 sales up, profit below consensus***

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NEW YORK (Reuters) - Sony Ericsson, the world's fourth-biggest mobile phone maker, posted higher second-quarter sales on Wednesday but its profit and its average phone sale prices were below analysts' estimates.

The cellphone venture of Sweden's Ericsson and Japan's Sony Corp. <6758.T> , known for higher-end music phones based on its Walkman brand, said it gained market share in the quarter by selling lower-priced phones that widened its potential customer base.

Its report came shortly after bigger rival Motorola Inc. forecast a quarterly loss, blaming weak phone sales.

"Motorola lost a lot of share," said Charter Equity Research analyst Ed Snyder in San Francisco. "A little bit went to Sony Ericsson. A lot went to somebody else, probably Nokia."

He said Sony Ericsson phone sales were better than expected but "didn't blow the doors down."

Sony Ericsson posted pretax profit of 327 million euros (\$450 million), up from 211 million euros a year ago.

Analysts on average expected earnings of 385 million euros, according to a recent poll of 20 analysts conducted for Reuters.

Sales rose to 3.1 billion euros from 2.27 billion euros a year ago, in line with average analyst expectations.

Sony's shares rose 0.3 percent to 6,350 yen in Thursday morning trade in Tokyo, in line with the Nikkei benchmark.

The company sold 24.9 million phones in the quarter, topping 15.7 million a year ago and the average analyst expectation for 23.6 million.

However average selling prices (ASPs) for its phones fell to 125 euros from 145 euros in the year-ago quarter as the company recently started to sell more low-end phones.

This was behind analyst expectations for ASPs of 132 euros, according to the same poll, but Sony Ericsson said the decline was in line with its own expectations.

Sony Ericsson said it increased its share of the mobile phone market by about 3 percentage points from a year ago to 9 percent in the latest quarter with market share gains in Latin America, throughout Europe, and in the Middle East and Africa.

The company said it expects the 2007 global handset market to exceed 1.1 billion units.

"We expect the market in 2007 to remain competitive, but with recently announced products such as the flagship Walkman and Cyber-shot models we aim to continue to grow faster than the market," Chief Executive Miles Flint said in a statement.

(Additional reporting by Edwina Gibbs in Tokyo)