Quarterly Market Analysis
Mobile Phones, Worldwide, 1Q14
Contents

- Market Overview — Shipments and Market Share
- Market Overview — Revenue, Operating Margin and Profit
- Samsung — Performance
- Samsung — News, Price Moves and Outlook
- Nokia — Performance
- Nokia — News, Price Moves and Outlook
- Apple — Performance
- Apple — News, Price Moves and Outlook
- LG — Performance
- LG — News, Price Moves and Outlook
- HTC — Performance
- HTC — News, Price Moves and Outlook
- BlackBerry — Performance
- BlackBerry — News, Price Moves and Outlook
- Sony — Performance
- Sony — News, Price Moves and Outlook
- Huawei
- ZTE
- Lenovo
- Motorola
- Market Outlook
Quarterly Market Analysis, Mobile Phones, Worldwide, 1Q14

Market Overview — Shipments and Market Share

- **1Q13** saw a sequential decrease in total mobile phone shipments, the result of typical seasonality. The market grew 6% over 1Q13 mostly thanks to growth in the emerging markets, while the demand in the Western markets was sluggish.

- Smartphone shipments grew by 24% year-on-year and accounted for 62% of the total shipments in 1Q14, compared with 59% in 4Q13.

- Samsung remained the largest manufacturer by volume, and saw its market share restored to almost 25%. Apple's share remained flat and Nokia's declined again.

- Huawei remained the third-largest manufacturer of smartphones in the world this quarter, reflecting the growing influence of Chinese manufacturers in the global market.
Samsung — Performance

- Samsung's IT and mobile communication revenue declined slightly year-on-year and sequentially in 1Q13.
- Samsung blamed the "seasonally slow" market in 1Q14 for declines of devices such as smartphones and tablets.
- However, the division's profit remained strong compared with those of many competitors, rising sequentially thanks to smartphone shipment growth in the wake of a difficult 4Q13 and careful management of marketing expenses.
- The mobile phone business remains most important for Samsung: its IT and Mobile Communication division accounted for 60% of total company revenue.
- Market share in smartphones saw a strong gain in the quarter, while Samsung continues to slowly move out of the non-smartphone business.

### Mobile phone shipments by category

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Smartphones</th>
<th>Non-smartphones</th>
<th>ASP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q13</td>
<td>107.0</td>
<td>66.9</td>
<td>$260</td>
</tr>
<tr>
<td>2Q13</td>
<td>110.0</td>
<td>73.5</td>
<td>$240</td>
</tr>
<tr>
<td>3Q13</td>
<td>118.0</td>
<td>85.1</td>
<td>$220</td>
</tr>
<tr>
<td>4Q13</td>
<td>110.0</td>
<td>83.0</td>
<td>$200</td>
</tr>
<tr>
<td>1Q14</td>
<td>108.0</td>
<td>88.0</td>
<td>$180</td>
</tr>
</tbody>
</table>

### Mobile phone revenue and operating margin

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenue ($B)</th>
<th>Operating margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q13</td>
<td>24.8</td>
<td>25.9%</td>
</tr>
<tr>
<td>2Q13</td>
<td>26.8</td>
<td>25.1%</td>
</tr>
<tr>
<td>3Q13</td>
<td>27.7</td>
<td>25.3%</td>
</tr>
<tr>
<td>4Q13</td>
<td>24.3</td>
<td>27.2%</td>
</tr>
<tr>
<td>1Q14</td>
<td>24.7</td>
<td>24.8%</td>
</tr>
</tbody>
</table>

### Mobile phone market share, worldwide

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Total</th>
<th>Smartphones</th>
<th>Non-smartphones</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q13</td>
<td>30.3%</td>
<td>30.6%</td>
<td>25.9%</td>
</tr>
<tr>
<td>2Q13</td>
<td>32.6%</td>
<td>32.6%</td>
<td>25.3%</td>
</tr>
<tr>
<td>3Q13</td>
<td>27.2%</td>
<td>27.2%</td>
<td>21.3%</td>
</tr>
<tr>
<td>4Q13</td>
<td>12.8%</td>
<td>12.8%</td>
<td>12.3%</td>
</tr>
<tr>
<td>1Q14</td>
<td>32.2%</td>
<td>32.2%</td>
<td></td>
</tr>
</tbody>
</table>

Quarterly Market Analysis, Mobile Phones, Worldwide, 1Q14
News

- February 2014: Nokia unveiled the X, X+ and XL phones based on Android Open Source Project. The Nokia X and X+ have a four-inch screen and three-megapixel camera. The X+ has extra 4GB storage. The XL has five-inch screen, two-megapixel front- and five-megapixel rear-facing camera.
- April 2014: Nokia announced the latest Lumia handsets, including the new flagship Lumia 930 and mid-tier Lumia 630 and 635.

Price Moves

- The estimated transfer price of the Lumia 1020 and Lumia 625 dropped this quarter as the product portfolio was refreshed.
- The Lumia 625 remained one of the least-expensive LTE handsets on the market as prices of LTE handsets across Western Europe and other markets continued to fall.
- The Lumia 520's estimated transfer price dropped below €100.

Outlook

- The performance of Nokia's mobile business in 1Q14 means that Microsoft will need to make some rapid decisions for a turnaround, especially in the smartphone segment.
- The Nokia X range of products will fill in the gap between smartphones and non-smartphones in the portfolio, but Microsoft must decide whether to further develop this line.

---

### Operator transfer prices — key products, Western Europe

<table>
<thead>
<tr>
<th>Product</th>
<th>Price (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lumia 1020</td>
<td>500</td>
</tr>
<tr>
<td>Lumia 925</td>
<td>300</td>
</tr>
<tr>
<td>Lumia 625</td>
<td>200</td>
</tr>
<tr>
<td>Lumia 520</td>
<td>100</td>
</tr>
<tr>
<td>Last week of 4Q13</td>
<td></td>
</tr>
<tr>
<td>Last week of 1Q14</td>
<td></td>
</tr>
</tbody>
</table>
Huawei enjoyed solid year-on-year growth as shipments reached 14.6 million.

Its portfolio transition continues to be evident, with smartphones now accounting for 94% of total shipments.

Huawei's success in China offers a platform for international expansion. However, lack of meaningful marketing investment in its brand will limit its global ambitions, particularly in Europe and the US.

The new Ascend P7 smartphone has competitive technical specifications, but the unfamiliarity of Huawei's brand to many consumers makes it impossible to compete head-to-head with rival flagship devices from the likes of Apple, Samsung and Sony.

Total phone shipments in 1Q14 decreased sequentially and year-on-year to 11.7 million units, but smartphone sales improved from the same quarter the previous year.

As with Huawei, ZTE's portfolio transition is becoming apparent. Smartphones made up almost 80% of total phones sales — its highest proportion to date.

ZTE's home market remains the cornerstone of its business, with 50% of its smartphones sales coming from China in 1Q14.

The US is a strategically important market for ZTE and it seems to be faring better here than rival Huawei. ZTE claimed a US market share of 6% in 2013 and has an ambitious target of 10% by 2017.
Market Outlook

Mobile phone shipment forecast by category, worldwide

- CCS Insight expects the mobile phone market to grow by 6.3% to 1.95 billion units in 2014 — well above the growth rate of 2013.
- Smartphones will continue to grow at the expense of non-smartphones and are forecast to represent 64% of total mobile phone shipments in 2014, up from 56% in 2013.
- Smartphone shipments are forecast at 1.24 billion units in 2014. This is a healthy rise of 21% year-on-year, but well below the growth rate of 40% enjoyed in 2013.
- North America and Western Europe will see smartphone yearly growth of 10% and 11% respectively, and smartphones will account for 86% of the shipments in those markets.
- The growth rate in China is also expected to slow down, despite the push of LTE. Smartphone penetration will surpass 50% during the year.
- A strong rate of growth is expected in India, starting from a relatively low smartphone penetration at the beginning of 2014.