

Mobile Handsets

COMPANIES: AAPL, ERIC, ERICB SS, GOOG, KYO, MOT, NOK, NOK1V FH, PALM, PHG, PHIA NA, RIM CN, RIMM, SNE, 762 HK, 2498 TT, 2618 HK, 6758 JP, 6971 JP, 000063 CH, 005930 KS, 066570 KS

Mobile Handset Market Weakens Again

Sales momentum for mobile handsets deteriorated again during 1Q10 yy following a rebound in 4Q09, and Nokia continued to lose share as sources anticipated.

- Unusually long winter weather and ongoing worries about the economy paired with delays of new product launches kept consumers away from shopping for cell phones in key markets
- 1Q10 handset sell-through weaker in Western Europe, India and tier-2 cities in China; only marginally improving in North America and tier-1 markets in China
- RIMM, HTC, MOT and AAPL won slight share as smartphone sales growth remained above category and these vendors found carrier support for their devices
- LG, Samsung and Sony Ericsson suffered from lack of new attractive products with delayed device launches in 1Q10
- Area to Watch: NOK's C series could help 2Q10 orders

EXECUTIVE SUMMARY

An improvement in 4Q09 qq growth momentum for mobile handsets proved short-lived, as 1Q10 yy sell-through volumes were lower than the previous quarter, primarily because of ongoing economic uncertainty and a lack of attractive new device launches as well as other local reasons. Growth momentum weakened specifically in Europe, India and some Chinese channels. Market leader **Nokia Corp.** lost slight share in key markets. **Motorola Inc.** made some slight gains with its **Google Inc.**'s Android devices, and **HTC Corp.**, **Research In Motion Ltd.** and **Apple Inc.** all benefited from an ongoing demand for smartphones. Share losers during 1Q10 included **Samsung Electronics Co. Ltd.**, **LG Electronics Inc.** and Sony Ericsson Communications AB (a joint venture between **Sony Corp.** and **Ericsson LM**) as their new device launches were delayed in several markets.

KEY DATA

1Q10 YY Sales Weaken vs. 4Q09

(number of sources)

	NORTH AMERICA	EUROPE	CHINA TIER 1	CHINA TIERS 2&3	CHINA CARRIERS	INDIA	RUSSIA	LATIN AMERICA	TOTAL
Weighted average	Flat-up slightly	Flat-up 5%	Up 3%-8%	Up 1%-6%	Up 15%-20%	Up slightly	Up slightly	Up 6%-11%	Up 1%-6%
January average	Down slightly	Up 4%-9%	Up 3%-8%	Up 3%-8%	-	Up 8%-13%	Down 26%-31%	Up 15%-20%	Up 3%-8%

SOURCES & BACKGROUND

106 hardware buyers, product managers, heads of distribution and management directors with wireless carriers, service providers, wholesalers and electronics retailers representing approximately 552 million unit sales during 2009

ASIA 54 sources, comprising 38 in China (15 in tier-1 cities, 15 in tier-2 and -3 cities and 8 carriers) representing almost 103 million unit sales during 2009, and 16 in India representing more than 92 million unit sales during 2009; **WESTERN EUROPE** 24 sources (6 each in France and Germany, 5 in the United Kingdom, 4 in Spain and 3 pan-European) representing approximately 172 million unit sales during 2009; **RUSSIA** 6 sources representing more than 14 million unit sales during 2009; **NORTH AMERICA** 10 sources (7 in the United States and 3 in Canada) representing more than 127 million unit sales during 2009; **LATIN AMERICA** 12 sources (7 in Brazil, 2 in Chile, 1 in Mexico, 1 pan-Latin America source and 1 in the Caribbean and Central America) representing more than 44 million unit sales during 2009

REPEAT SOURCES 72 (38 in Asia, 15 in Europe, 7 in North America, 8 in Latin America and 4 in Russia) from OTR Global's January report

INTERVIEWS March

AVERAGES Weighted according to each source's 2009 unit sales

BACKGROUND 1 national U.S. carrier and 2 large Latin American sources were not interviewed for this report. In China, 8 sources from 3 national China carriers were interviewed for the first time in this report.

"I blame at least half of our shortfall to [bad weather] as consumers are just not in a shopping mood if it is cold and miserable outside. This, combined with the lack of job security, is enough to drive volumes down."

Large European carrier source

Mobile Handsets

1Q10 Falls Below 4Q09

Sell-through of mobile handsets for 106 buyers in key global regions lost its momentum during 1Q10, as yy growth was up an average 1%–6%, deteriorating from the 4Q09 average of up 3%–8% yy. Growth yy in Western Europe, India and tier-2 markets in China weakened compared with 4Q09, while North American sources and sources in tier-1 cities in China maintained their growth rates. Only the Russian market showed a positive rebound in sell-through volumes, helped by aggressive discounts from competing retailers and handset vendors. An area to watch is the yy growth of 15%–20% in handset sell-through by Chinese carriers (new channel coverage by OTR Global).

High service charges for 3G devices hampered sales growth outside the large cities in China, while sell-through in India weakened with continued economic pressure on disposable income. Western European sales were negatively affected by high levels of SIM-only sales and reduced in-store traffic because of unusually long-lasting winter weather. “This unusually bad weather kept consumers away from our shops for quite some time. I blame at least half of our shortfall to this as consumers are just not in a shopping mood if it is cold and miserable outside. This, combined with the lack of job security, is enough to drive volumes down,” a large European carrier source said. (Editor’s note: Weaker Latin American sales were primarily attributed to a change in OTR Global’s source base)

Nokia Needs New Devices

Nokia lost some share during 1Q10, as sources said the vendor’s portfolio lacked meaningful new devices launches.

In China, Nokia lost share in carrier channels because of a lack of available models. Sales were hampered in tier-1 cities by high prices for its midrange and high-end models, but good sales of low-end devices — priced at 1,000–1,500 yuan (\$147–\$221) — helped the vendor stabilize its overall position in China.

In India, Nokia continued to lose some share, hurt by an uninspiring model lineup, software problems with some N series, stronger competition and unfriendly trade relations. One large carrier said, “Nokia got impacted everywhere, by RIM in the high end, Samsung in the touchscreen segment and **Micromax [Informatics Ltd.]** in the low end.” Another large retail store source said, “Nokia, despite losing share to the competition by Samsung and Chinese-manufactured Indian brands has not learned from experience; it continues to be trade-unfriendly.”

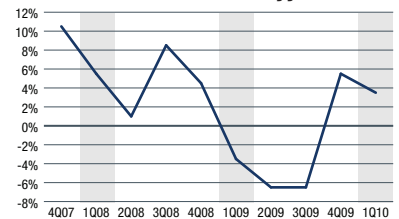
Nokia once again lost slight share overall in Western Europe with a lack of new and attractive devices — touchscreens in particular — as well as relatively high prices. In addition, one large source attributed Nokia’s losses to its operating system (OS), while another cited carrier resistance to Nokia’s services strategy, as discussed in OTR Global’s **March 25 Nokia Note**. “Nokia’s performance has been horrible, with high inventories and an old portfolio,” one source said.

In contrast to the previous quarter, Nokia’s share in Russia increased with low-end device sales, carrier promotions and attractive pricing. “Nokia focused on low-end models this quarter and regained its share from LG,” a source said.

Nokia lost slight share in North America, following a slight gain in 4Q09, with no new devices and nothing to offer in the popular messaging segment. In addition, sales of Nokia’s high-end, smartphone devices have slowed.

Nokia continued to lose slight share in Latin America because of its higher pricing compared with Asian imports and a lack of competitive touchscreen devices. “The N95 became old-fashioned and

Mobile Handset Unit Sales yy



Time Series Analysis: Mobile handset unit sales were again up yy during 1Q10, but the growth rate deteriorated 200 bps.

Source: OTR Global LLC

CHINA

INDIA

WESTERN EUROPE

RUSSIA

NORTH AMERICA

Mobile Handsets

the N97 is too expensive,” a source said. Losses were limited, however, as the vendor maintained or gained share for some sources with its large portfolio of low-end devices and aggressive price cuts on some models while launching new touchscreen models such as the 5230 and 5530.

Samsung Takes a Break

Korean vendor Samsung had a weaker performance in several of its key markets with a clear increase in sources who said the vendor lost share. Samsung struggled especially in the Americas and in China. One North American source said, “Samsung’s new smartphones didn’t have the impact we’d hoped for. But their low-end touchscreens that are sold without data plans do ok.” In Latin America, sales were impacted by cheap offers from Motorola, Sony Ericsson and LG, while in China several channels are waiting for model updates. In China, Samsung received support by carriers but failed to participate in the fast-growing market for handsets for female consumers. In Europe, only one-third of sources said Samsung gained share, compared with two-thirds in 4Q09, as buyers are waiting for the vendor’s new products.

In India Samsung gained share with its new touchscreen series and the newly introduced dual SIM range, coupled with aggressive pricing. One retail store source said, “Samsung has created a new trend — finger touch and finger flow; that is the new craze.” In Russia, sources said Samsung’s share gains derive from a broad range of devices that hit Russian consumer tastes at competitive prices. “They gained the niche that was previously occupied by Sony Ericsson,” one said.

LG a Mixed Bag

LG had a mixed performance overall — a deterioration from 4Q09 — with losses in India, Western Europe, Russia and Latin America while the vendor maintained its share or improved in China and North America.

Losses were attributed to LG’s lack of new models and deteriorating service support. One large Asian carrier associated with LG for more than three years said, “There have been a lot of changes; its people, no new models and surprisingly, service too is suffering.” A European buyer said, “LG doesn’t have a lot of attractive devices in the mid- to high end, and, come to think of it, not a lot in the low end either!” China sales were hampered by the lack of attractive models from LG for the fast-growing market of female handset consumers. However, LG performed better in North America, gaining slight share, driven by aggressive pricing and good promotions in the low- and midrange. “LG continues to do particularly well in the messaging device segment,” a source said.

Sony Ericsson: Waiting for a Rebound

The number of sources who said Sony Ericsson is losing share increased again during 1Q10, as the vendor only gained or just maintained its share in the Americas, but struggled elsewhere as a lack of new devices and high prices kept consumers away. “Sony Ericsson dropped into allocation on a couple of occasions. Based on the numbers they’re selling these days, they shouldn’t be on allocation as they were selling 20% or 30% more this time last year. But they’ve tempered their ambition to make sure they don’t lose money, and that’s had an impact on their sales,” a key European source said. In India, devices were plagued by software issues and buyers said Sony Ericsson’s service centers were unable to rectify. “Sony Ericsson is choosing to work with few and well-selected phones, in order to focus on raising its profit margin,” a Latin American source said. Sony Ericsson gained share in North America, after losing share in 4Q09. Share gains were driven by one source who said Sony Ericsson did better than expected.

“LG doesn’t have a lot of attractive devices in the mid-to high end, and, come to think of it, not a lot in the low end either!”

European buyer

Mobile Handsets

Has Motorola Bottomed?

Motorola's performance improved compared with 4Q09, primarily helped by positive reception of its Android devices and price cuts for its older models. The vendor showed limited gains in almost all regions except India.

Motorola did well in China, helped by strong advertisements for its Android devices and price cuts for its low-end handsets. "Motorola's newest model, XT800, is selling well now and we have considered [making] it our main device to compete with **China Unicom [Ltd.]**"

Motorola continued to pick up slight share in **Western Europe** — albeit from a low base — with strong sales of the Milestone but weak sales of the Dext. "Motorola is still gaining with the Milestone, but the big momentum is over and total volumes are really small," one source said.

Motorola gained slight share in Latin America, an improvement from the January report, driven mostly by mid- and higher-end handsets. "Motorola has recreated itself in the high-end tier and will fight for margin now," a source said. While unit gains were minimal, one source said with its new Android phones, Motorola has gained revenue share.

Motorola also gained share for the third sequential quarter in North America. Although share comments were mixed, the overall gain was driven by strength of its Android devices.

India, however, remains a tough market for Motorola, as the vendor did not find reception in most outlets and lost significant share compared with 4Q09 with weak demand and a lack of new products. With no Android devices launched after much waiting, Motorola seems to have dropped into insignificance in India, sources said.

RIM, HTC on the Rise

Other vendors that gained share during 1Q10 included HTC and RIM, with Apple's iPhone a distant third. China's **Beijing Tianyu Communication Equipment Co. Ltd.**'s K-Touch and India's Micro-max followed in the rankings. RIM and HTC advanced specifically in North America, Europe and India with aggressive pricing and marketing. "RIM has really taken off in the last few quarters, both on prepay and post-pay. HTC is growing with the Android push and HTC as a brand has become more familiar," a European source said. In contrast to 4Q09, Apple made only slight share gains in Western Europe with the ending of Christmas promotions and a lack of new devices.

In Russia, **TCL Communication Technology Holdings Ltd.**'s Alcatel and **Philips Electronics N.V.** gained moderate share with attractively priced devices, while Apple's iPhone, **Fly Mobile Ltd.** and HTC also gained slight share.

Huawei Technologies Co Ltd., **ZTE Corp.** and Alcatel gained share in Latin America, benefiting from competitive pricing. Huawei gained with its 8220 Android smartphone, and ZTE gained with rebranded phones as well as dual SIM card phones.

RIM, **Kyocera Corp.** and **Pantech & Curitel Communications Inc.**'s Pantech Wireless gained share during 1Q10 in North America. RIM gained with the Bold and Gemini, Kyocera gained with its entry-level bar phone and Pantech gained with its slider QWERTY device.

Prices, Inventories Mostly "Normal"

The decline of wholesale prices with most vendors was normal for the season, and stronger price cuts were primarily driven by the cleanout of inventories with older models. Two-thirds of sources said wholesale prices decreased only slightly during 1Q10 qq.

"RIM has really taken off in the last few quarters, both on prepay and post-pay. HTC is growing with the Android push and HTC as a brand has become more familiar."

European source

Mobile Handsets

Although 1Q10 sell-through momentum deteriorated from 4Q09, inventories were not a concern for most sources. Inventories were an issue in some spot channels such as with most Motorola devices in India, some high-end devices for Samsung in Europe, and in North America with less popular RIM devices, **Palm Inc.** and low-end Nokia devices.

New Device Launches

Chinese sources expect Nokia's C5, Sony Ericsson's Vivaz U5i and Motorola's ME501 to be launched in the following three months. Sources showed high interest for Nokia C5. "Its retail price will be 1,480 yuan [\$216] which is very competitive and its long standby time will attract a lot of attention," one said.

In India, sources expect Nokia to launch the long-awaited X6, X3 and the N900 and Apple to launch the iPhone 3GS, Sony Ericsson to launch its X2 and Samsung to launch more devices from the Corby series. Sources also expect domestic vendor Micromax to launch a gaming device at competitive prices.

Western European sources plan to add HTC's Desire, Legend, Smart and Buzz, Motorola's Ruth (MB511), Nokia's N8 (described in the March 25 Note), Sony Ericsson's Xperia X10 series (X10, X10 mini, X10 mini pro) and Samsung's Wave.

North American device launches anticipated for the April–June period include Android devices from Motorola (for both pre- and post-paid segments), HTC and Samsung, including the HTC HD2 and Motorola Quench. Samsung devices include the Galaxy for regional carriers and a CDMA Android device. Sources expect new products from Nokia including the Nokia Nuron (5230) smart touch-screen device as well as X series devices. Handset buyers further expect RIM to launch updated Storm, Pearl, Curve and Bold devices. Sony Ericsson is going to launch the X1 in May, sources said.

Latin American sources will add Sony Ericsson's X10 mini, the U10 and Vivaz, as well as several Android models from Motorola, including Quench and Milestone, a Star Lite, a Star TV Lite and Genoa from Samsung, several new Nokia models, including the low-end 1616, the 2730, a candy-bar 3G phone, the X6, 7020 and 2690.

Order Outlook: Samsung Leads

As in 4Q09, Samsung is the preferred brand when it comes to 2Q10 order gains because of attractive models and an aggressive pricing and marketing strategy, followed by Nokia — a clear improvement from 4Q09 — and LG, a significant deterioration compared with 4Q09. Motorola and Sony Ericsson had the strongest q/q jump in positive remarks for 2Q10 order gains — 12 to 21 for Motorola and 6 to 19 for Sony Ericsson — with Sony Ericsson improving because of a revamped product portfolio with the X10 and Vivaz series.

Nokia is expected to gain some 2Q10 order share with new device launches of its C series and budget touchscreen handsets as well as price cuts in most regions with a notable increase in sources who said Nokia will gain share, specifically in Europe, India and Latin America. An area to watch is that one-fourth of sources still expect Nokia to lose share in 2Q10.

LG had the strongest drop in order gain commentary q/q (from 39 to 25) and had a clear rise in share loss commentary (from 13 to 22).

CHINA

INDIA

WESTERN EUROPE

NORTH AMERICA

LATIN AMERICA

Mobile Handsets

For most other vendors, OTR Global's sources did not see any major share shift for 2Q10.

Handset demand expectations for 2Q10 are slightly better than for 1Q10, as economic conditions improve in several areas and a stronger focus on smartphones is driving sales of devices.

This report was researched and written by **Hartmut Leuschner, Claudia Geller, Sreevathsa Prabhakar, Paul Ridgewell** and **Gloria Shao**, with additional reporting by **Adrienne Bard, Eva Cahen, Xing Cheng, Shi Hui, Barton Liu, Fernando Paiva, Kirti Patil, Binny Sabharwal, Anette Scholz, Jishen Shi, Usha Somayaji, Eugenia Vlasova, Gu Weijun** and **Lan Xiuyu** for OTR Global LLC.

Mobile Handsets

CHINA

“Nokia’s development of handsets targeting female users started relatively late, which is causing Nokia to lose many potential female consumers. Nokia lost market share to LG.”

“Sony Ericsson is currently moving toward high-megapixel handsets, but this is still not the main trend currently. Few of its models are selling well.”

“Motorola’s midrange handsets performed quite well this quarter because of its recent promotion of Google’s Android operating system.”

“Apple’s iPhone advertising is stimulating the overall development of the smartphone sector indirectly, luring and guiding people to better understand the basic functions and applications.”

“We will consider ordering from new handset vendors such as Acer and other notebook brands.”

“Nokia uses the Symbian operating system, but Samsung and Motorola are both starting to use Android. Even LG has released an Android handset. Therefore, we think the market share of handsets using Symbian will decline. That is why orders for Nokia smartphones will decrease.”

“Lenovo’s performance has been poor recently. Its brand image is worse than before due to a lack of new models.”

“As smartphone price levels decline, more consumers will shift from buying mid- to low-end handsets to buying smartphones.”

“I heard that Apple is negotiating an iPad contract with China Mobile.”

INDIA

“Overall sales have been almost flat, but ASPs have gone up thanks to smartphone growth.”

“The reason [for flat growth] is dual-SIM phones; if, previously, people needed two phones, they can now make do with just one.”

“With the recession almost over, people are ready to invest in mobile phones.”

“Samsung gained significantly. Samsung has a good range, great service support and premium branding.”

“Samsung’s aggressive pricing, especially on dual-SIM devices, is even giving Chinese vendors a run for their money.”

“LG has lost somewhat; they are being as trade unfriendly as Nokia.”

“Sony Ericsson’s Aino and Satio failed to gain customers.”

“[Sony Ericsson’s] Naite and C510 screens went blank within days of purchase.”

“Motorola’s stock pileup continues.”

“Micromax is getting more popular by the day.”

“RIM has caught the pulse of market and now every second customer wants a RIM smartphone.”

“The entry of Videocon [Industries Ltd.] into the mobile handset market is an interesting development.”

GERMANY

“We recently sold tremendous volumes of our Nokia inventories to Asia, specifically to Hong Kong. Just Nokia and just devices in the \$100–\$200 range. We’re talking here about tens of thousands of devices per week, and all because of the strong dollar.”

“LG’s devices are not spectacular, but LG is coming up with a lot of cash these days to pump their devices into the channel.”

“Sony Ericsson could have gained nicely with us if they’d had no shortages, but it seems the sudden demand from carriers and distributors surprised them.”

Mobile Handsets

“Samsung’s wholesale prices were unbelievably low [in 1Q10]. My take is they wanted to get rid of inventories and pumped whatever they could get their hands on into the prepay channel to make room for their upcoming range of devices.”

UNITED KINGDOM

“Sony Ericsson is down a little based on portfolio. Sony Ericsson has just launched Vivaz, and the X10 products will be out in [2Q10], but they don’t have a lot at the moment.”

“For Nokia, portfolio is an issue and in particular the lack of touchscreens. Touchscreen is clearly the story at the moment, and they don’t have a portfolio that fits the market. The [Nokia] 5800 was a rushed product.”

“Allocation on the basis of ambition is a big factor. A lot of suppliers have tempered their ambitions and scaled back production so as not to lose money. Nokia, Sony Ericsson and LG are now only manufacturing 95% of the numbers being forecast in order to try to create some demand and also to reduce the risk of inventories being left over.”

“We’re going to be launching the Samsung Wave. We’re happy with the bada [operating system] emphasis. The only reservation we have is around the number of apps that will be available from the app store; that could be its Achilles’ heel. But the look and feel of the handsets they’ve got coming out is very good.”

FRANCE

“Apple’s French management is not the greatest. Their customer service here leaves a lot to be desired. It doesn’t really make us want to work hard with them.”

“Nokia has climbed back up a little thanks to the N97 Mini, which has done OK — not great, but OK.”

“Samsung’s Wave with the bada operating system for [2Q10] is creating a lot of buzz.”

“Acer has big ambitions and will have new handsets to offer next quarter.”

“We are expecting increased handset demand next quarter because we are seeing consumer trends slightly improving this year.”

SPAIN

“It’s not clear which way LG is planning to go. They seem to have the same problem that Sony Ericsson had last year; no strategy is visible and therefore everyone is being careful with orders.”

“Smartphone sales nearly doubled compared with one year ago. The preannouncements of new Android devices are ushering in a positive outlook.”

“I think until mid-2010 we will have a stable high-end market clientele and a small midrange sector. But beginning in mid-2010, more low-price customers will look to mid-tier devices again. So the market is going to improve slightly, though currently people are watching their spending.”

RUSSIA

“Price wars between vendors and retailers resulted in slight growth in [1Q10]. Demand is mostly for the cheapest models.”

“Nokia and Samsung are fighting for market share, so lower prices resulted in higher consumer purchasing activity.”

“Samsung is still the second vendor in our portfolio. Samsung is holding its positions in all price segments.”

“Nokia and Alcatel are very aggressive in the low-end segment, where LG was particularly strong. And LG is a little late with new models in Russia.”

“Sony Ericsson continued losing share. High prices and a poor model range are the reasons for that, plus bad work in the distribution channel.”

PAN-EUROPEAN

“LG is struggling a bit. LG is sandwiched between Samsung, the big brother, and the Chinese companies who are very aggressive in the low tier. LG used to be alone in the low-tier touchscreen segment, and now the Chinese vendors are competing aggressively with them.”

Mobile Handsets

"Nokia's performance is fading because we don't want to accept their new services strategy. We've ordered a ton of low-end and sub-100-euro Nokia devices, which don't come with services, but we have really low volumes of their better midrange and high-end devices, as Nokia's competition does not impose these [service] barriers."

"Nokia is losing share to Samsung; as they're going down the price points, their lack of a widely accepted open operating system is causing them problems."

"Handset sales are down on last year. That's due to cuts to acquisition costs by going SIM-only, and there are also a lot of secondhand phones in the market at the moment."

"RIM is not planning a revolution, but they're working very hard on making what they have better. They're offering a true alternative to what Apple has, and that makes them strong. RIM has a very appealing message, and they are very strong with youth, which is not necessarily a market that has been captured either by Apple or Nokia."

UNITED STATES

"LG gained share with low- and midrange phone launches and strong promotions."

"Overall prices have declined slightly. Vendors are being more aggressive with pricing in order to gain or maintain market share. LG has been less aggressive, while Samsung is the most aggressive of all of our vendors."

"Prices were dropped in [4Q10], and this quarter they have remained fairly steady. The currency exchange has been getting better, so we should be seeing a drop in prices soon."

"Prices have decreased more for tier-2 vendors than for tier-1 vendors."

"This quarter, wholesale prices are stable, but there will be some reductions next quarter because of product lifecycles."

"There's a rumor that BlackBerry will release a Pearl 2, and we're interested in seeing how it does. There are still people out there with Pearls and they might be loyal to that kind of track pad."

"There hasn't been much of a change [in handset unit sales] from [1Q09] to [1Q10], but the mix has changed and smartphones are trending above the category."

"HTC has clearly got some good designs. They are also very hungry and they're getting better at execution."

"Motorola is piggybacking on Android's success and with MotoBlur, they have their own proposition on top of Android. Now with two compelling platforms — Android and iPhone — Palm is struggling."

PAN-LATIN AMERICA

"We would probably be picking up 500,000 more [handset] units in Brazil if it weren't for the black market."

"Everyone is going to be launching an Android device. We've heard about a Chinese Android that will cost \$150."

"In Mexico, we are expecting significant [handset] volume in the next three months as some people did not change their handsets last year."

MEXICO

"I wouldn't say Nokia has any best sellers, but the E71 is one that is moving."

"Little by little, we are going to see more acceptance of the Android platform in this market."

"LG's products are selling better, so we are putting more of them in the channels. The main reason they sell better is pricing."

BRAZIL AND CHILE

"February was much better than January in terms of sales. This has not happened in the last 10 years. I'm very optimistic about this year's sales."

Mobile Handsets

“Nokia did not pay attention to retailers this quarter. There were fewer promotions from Nokia at the point of sales.”

“Nokia finally brought out some good touchscreen models in the mid-tier, like the 5230 and 5530.”

“Samsung has an excellent portfolio. Whatever Samsung releases I buy because I know it will sell well.”

“Samsung and LG have very similar portfolios, but the latter’s prices are lower.”

“Motorola’s small share is a consequence of its lack of low- and mid-tier phones.”

“Apple hired people from Nokia and Motorola and now has an account manager for each Brazilian carrier.”

CARIBBEAN AND CENTRAL AMERICA

“There’s a bit more bounce in the marketplace now. A lot is happening and mostly it has to do with the smartphone segment.”

“Android in general is picking up and getting recognition in the market.”

“Economies are slowly bouncing back, but more people are adjusting to the conditions we saw last year. There’s no doubt spending has decreased.”

“One of the key issues with Nokia is that they are still not in a position to produce ultra low-cost phones with GPRS.”

“In the smartphone sector, there’s more focus on using some of the pricing concepts that were used in the States. They are going for post-paid. Upfront, that makes the handset cheaper, but people are also more willing to be locked in, just to say they’ve got that handset.”

Mobile Handsets

1. Have your 1Q10 total handset unit sales increased, decreased or remained the same yy?

	NORTH AMERICA	EUROPE	CHINA TIER 1	CHINA TIERS 2&3	CHINA CARRIERS	INDIA	RUSSIA	LATIN AMERICA	TOTAL
Up 91%–100%:	-	-	-	-	-	-	1*	-	1
Up 41%–50%:	1	1	-	-	-	-	-	1	3
Up 31%–40%:	-	-	-	-	-	1	-	1	2
Up 26%–30%:	-	-	-	-	1	-	-	2	3
Up 21%–25%:	-	-	-	-	1	-	-	1	2
Up 16%–20%:	-	-	-	-	2	4	-	1	7
Up 11%–15%:	-	1	-	-	1	-	-	1	3
Up 6%–10%:	1	1	7	4	3	5	1	3	25
Up 1%–5%:	1	9	7	10	-	1	2	-	30
Up:	3	-	-	-	-	-	-	-	3
Flat:	2	5	-	1	-	3	-	1	12
Down:	1	-	-	-	-	-	-	-	1
Down 1%–5%:	1	4	1	-	-	1	-	-	7
Down 6%–10%:	-	2	-	-	-	1	-	1	4
Down 11%–15%:	-	1	-	-	-	-	-	-	1
Down 26%–30%:	-	-	-	-	-	-	1	-	1
Down 31%–40%:	-	-	-	-	-	-	1	-	1
Weighted average:	Flat-up slightly	Flat-up 5%	Up 3%–8%	Up 1%–6%	Up 15%–20%	Up slightly	Up slightly	Up 6%–11%	Up 1%–6%
January average:	Down slightly	Up 4%–9%	Up 3%–8%	Up 3%–8%	-	Up 8%–13%	Down 26%–31%	Up 15%–20%	Up 3%–8%

* Outlier not included in average

2a. Which handset vendors gained, maintained or lost share in your portfolio during January–March qq?

NOKIA

Gained significantly:	-	1	-	-	-	1	2	2	6
Gained slightly:	1	3	4	7	2	-	1	2	20
On par:	1	10	5	2	2	6	1	3	30
Lost slightly:	6	8	5	6	4	3	1	3	36
Lost significantly:	-	2	1	-	-	1	1	1	6
Not applicable:	2	-	-	-	-	5	-	1	8

SAMSUNG

Gained significantly:	-	1	-	-	-	7	2	2	12
Gained slightly:	1	7	3	5	7	5	2	-	30
On par:	6	10	6	5	1	-	1	4	33
Lost slightly:	2	5	6	5	-	1	1	4	24
Lost significantly:	-	1	-	-	-	-	-	1	2
No response:	1	-	-	-	-	-	-	-	1
Not applicable:	-	-	-	-	-	3	-	1	4

LG

Gained significantly:	-	3	-	-	-	1	1	3	8
Gained slightly:	4	2	8	3	5	2	1	1	26
On par:	2	8	3	2	1	5	2	2	25
Lost slightly:	2	10	4	10	2	5	1	2	36
Lost significantly:	-	1	-	-	-	-	1	3	5
No response:	1	-	-	-	-	-	-	-	1
Not applicable:	1	-	-	-	-	3	-	1	5

Mobile Handsets

SONY ERICSSON	NORTH AMERICA	EUROPE	CHINA TIER 1	CHINA TIERS 2&3	CHINA CARRIERS	INDIA	RUSSIA	LATIN AMERICA	TOTAL
Gained significantly:	-	-	-	-	-	-	-	1	1
Gained slightly:	1	4	7	5	1	-	-	1	19
On par:	2	6	3	3	-	4	-	6	24
Lost slightly:	2	13	5	7	6	6	3	1	43
Lost significantly:	-	1	-	-	-	1	3	2	7
Not applicable:	5	-	-	-	1	5	-	1	12
MOTOROLA									
Gained significantly:	-	-	-	-	-	-	-	1	1
Gained slightly:	5	3	4	7	4	-	-	2	25
On par:	1	5	7	6	1	1	2	5	28
Lost slightly:	1	2	4	2	3	6	-	1	19
Lost significantly:	1	1	-	-	-	5	-	2	9
Not applicable:	2	13	-	-	-	4	4	1	24

2b. Which brands other than Nokia, Samsung, LG, Sony Ericsson and Motorola are gaining and which are losing? (Some sources gave more than one answer while others did not respond.)

GAINING	NORTH AMERICA	EUROPE	CHINA TIER 1	CHINA TIERS 2&3	CHINA CARRIERS	INDIA	RUSSIA	LATIN AMERICA	TOTAL
HTC*:	1	10	5	8	-	5	1	1	31
RIM:	5	11	-	-	-	5	-	1	22
Apple's iPhone:	1	6	-	-	-	-	1	2	10
K-Touch:	-	-	4	6	-	-	-	-	10
Micromax:	-	-	-	-	-	10	-	-	10
ZTE:	-	3	-	1	-	-	-	3	7
Sharp/Sidekick:	-	-	5	2	-	-	-	-	7
OPPO Global:	-	-	3	2	-	-	-	-	5
Spice:	-	-	-	-	-	5	-	-	5
Alcatel:	-	-	-	-	-	-	3	2	5
Huawei:	-	1	1	-	-	-	-	2	4
Newsmy:	-	-	1	2	-	-	-	-	3
Lenovo:	-	-	-	3	-	-	-	-	3
Karbons:	-	-	-	-	-	3	-	-	3
Philips Electronics N.V.:	-	-	-	-	-	-	3	-	3
Kyocera:	2	-	-	-	-	-	-	-	2
Pantech/Curitel:	2	-	-	-	-	-	-	-	2
Emporia:	-	2	-	-	-	-	-	-	2
Hyundai:	-	-	1	1	-	-	-	-	2
Other:	2	1	2	1	-	4	1	-	11
None:	3	3	2	1	-	1	-	5	15

Mobile Handsets

©2010 OTR Global LLC (OTR). All rights reserved. This report was produced for the exclusive use of OTR and may not be reproduced, electronically or via hard copy or relied upon, in whole or in part, without written consent. The information herein is not intended to be a complete analysis of every material fact in respect to any company, industry or the subject discussed, nor by itself sufficient upon which to base an investment decision. OTR uses a set of symbols to represent its read: Thumb Up denotes positive, Thumb Down denotes negative, and Fist denotes mixed. These symbols are not a recommendation to buy, sell or hold a security.

Additional information available upon request.