

Worldwide Cellular Phone Shipments Forecast to be 1.1 Billion in 2008

IC Insights' *Emerging IC Markets Report 2005* details IC usage by electronic system type.

Scottsdale, Arizona – January 19, 2005 – Sales of cellular handsets rose to 670 million in 2004, a 29 percent increase over the 520 million units shipped in 2003 (see Figure 1). This continued the healthy rebound that started in 2002 following a disastrous 2001, the first year in the history of the cellular phone business that unit shipments declined as compared to the previous year. A strong worldwide economy and new camera-phone models contributed to the surge in cellular phone handset shipments in 2004.

In 2005, cell phone shipments are forecast to top 700 million. In 2008, cellular phone sales are forecast to reach 1.1 billion units, more than double the shipments registered in 2003. IC Insights firmly believes that the cellular phone will be one of the most important “platforms” that drive future IC industry growth.

Cellular Phone Handset Shipment Forecast (1996-2008)

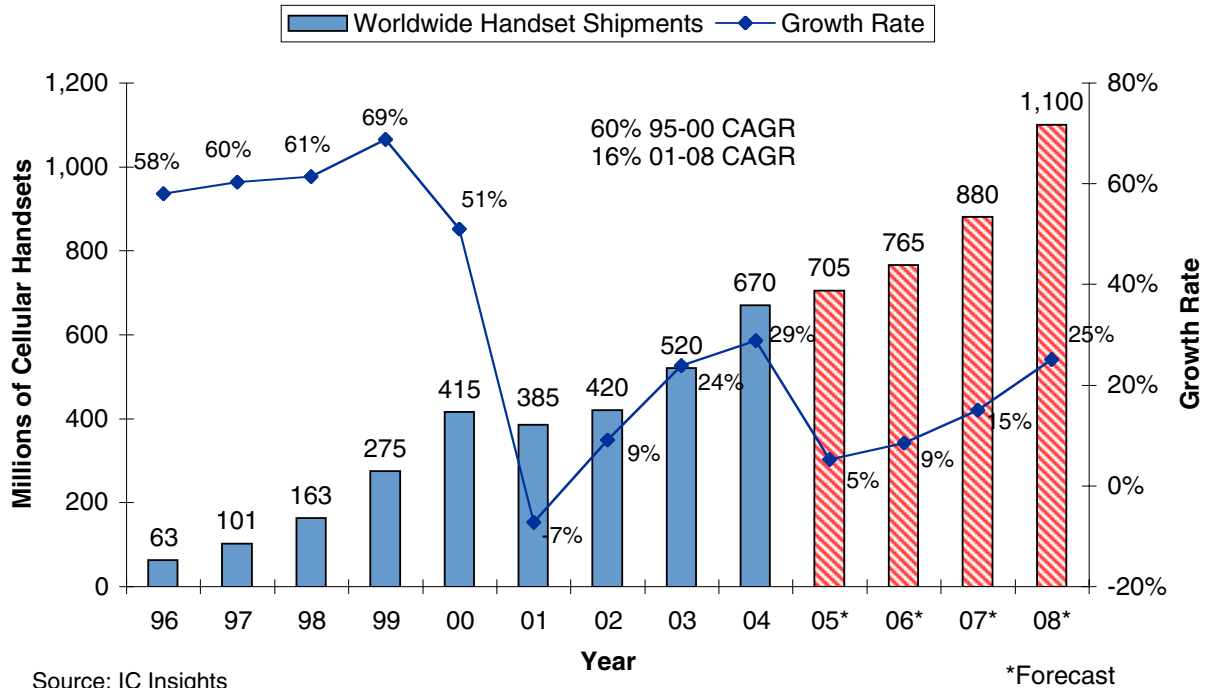


Figure 1

Cellular phone producers, while still being able to attract a relatively high number of new subscribers, must also be able to generate enough "upgrade" or replacement business to keep total cellular phone unit shipments growing at a strong rate. With the introduction of additional capabilities to the digital cellular handset (e.g., color screens, Internet browsing, camera capability, voice dialing, games, etc.), IC Insights believes that the average time-to-replacement for a cellular phone will shrink from about 4.5 years (55 months) in 2001 to just 2.5 years (30 months) in 2008.

The replacement market is very important to the cellular handset supplier. Overall, 63 percent of the new phones sold in 2004 were replacements! In 2008, the cellular phone replacement percentage is forecast to rise to 81 percent, which means that less than one-fifth of 2008 handset sales are expected to be to new customers. This high replacement sales rate as a percentage of total sales is similar to the situation that already exists in the automotive industry.

In the future, it will become increasingly critical for the cellular handset supplier to convince the existing subscriber base that it needs the newest technology or that it needs more than one cellular handset. If in the future a large portion of existing cellular subscribers become satisfied with their cellular phones (as happened in 2001), it would serve to lengthen the replacement period and have the potential to significantly decrease the amount of cellular phones sold each year. Conversely, if a "popular" option appears on a new version of a cellular phone (e.g., cameras), a spike in cellular phone sales for a year or two (as happened in 2003 and 2004) is also possible.

More information about the cellular phone market and other important end-use applications can be found in IC Insights' new *Emerging IC Markets Report 2005*. The report contains 300 pages and covers numerous electronic systems such as wireless networking, cellular phones, digital cameras, automotive, RFID, digital TV, etc that will drive IC industry growth. Single-user copies of the report (binder or CD-ROM) are only \$1,990, with company-wide use licenses also available.

About IC Insights

IC Insights, Inc., based in Scottsdale, Arizona, is dedicated to providing high-quality, cost-effective market research for the integrated circuit industry. Founded in 1997, IC Insights offers coverage of global economic trends, IC market forecasts, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of emerging markets for ICs. For more information, contact 480-348-1133 or info@icinsights.com, or visit www.icinsights.com.