

APRIL 30, 2012

Samsung Soars to #1 Rank in Cellphone Revenue in 2011!

Nokia remains units leader. "Others", including black-market suppliers, account for 24% of units.

Samsung's cellphone sales revenue jumped 47% in 2011 to \$48.2 billion, catapulting the South Korean company to the #1 ranking and global leadership in cellphone sales. Samsung's cellphone sales exceeded the \$33.3 billion in cellphone sales of #2 ranked Nokia by 45%! Nokia's sales volume actually *declined* 14%—the worst sales growth rate among the top-10 cellphone suppliers last year.

Figure 1 shows IC Insights' ranking of the top-10 cellphone suppliers in 2009, 2010, and 2011. For 2011, a healthy 12% increase occurred for total cellphone handset shipments after a 13% jump in 2010. Overall, 2011 could be considered, "the year of the smartphone" as smartphones were the driving force behind the total cellphone unit growth in 2011.

The "other" cellular phone suppliers shipped 24% of cellphone handsets in 2011, up four percentage points from 2010. It should be noted that approximately 50% of the "other" cellphone unit shipments in 2011 were comprised of low-cost unlicensed counterfeit or "black-market" handsets. The vast majority of these cellphones were manufactured and sold in the Asia-Pacific region, primarily China.

Figure 1 also shows there was a tremendous difference between the cellphone handset ASP of dedicated smartphone suppliers (e.g., Apple, RIM, and HTC at over \$300) and the big China cellphone producers like ZTE and Huawei (with ASPs of less than \$100). Moreover, companies like Motorola are attempting to make a comeback via the smartphone market. In 4Q11, 51% (5.3 million) of the company's 10.3 million cellphone sales were smartphones, up from 20% of its 37.2 million cellphone sales in all of 2010.

Illustrating the big impact of cellphone ASP on a company's results, Nokia shipped 27% more handsets than Samsung in 2011 but registered 31% *less* in dollar volume! Driven by a 67% surge in smartphone shipments to 485 million units, the overall cellphone ASP increased 14% in 2011 after increasing only 4% in 2010.

Figure 2 shows IC Insights' cellphone unit shipment forecast through 2012. As shown, sales of cellular handsets surpassed the one billion-unit level for the first time in 2006 and reached 1,030 million units. In

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2009, cellphone unit shipments declined for only the second time. With the global recession having a significant impact on the market in 2009, cellphone unit sales declined 2%, which was still better than the 7% decline encountered in previous global recession in 2001.

Top 10 Cellphone Sales Leaders

Company	2009 Units (M)	2009 Unit Share	2009 Revenue (\$M)	2009 ASP (\$)	2010 Units (M)	2010 Unit Share	2010 Revenue (\$M)	2010 ASP (\$)	2011 Units (M)	2011 Unit Share	2011 Revenue (\$M)	2011 ASP (\$)	2011/2010 Units (% Change)	2011/2010 Revenue (% Change)
Nokia (Finland)	431.8	34%	\$38,043	\$88	453.0	32%	\$38,734	\$86	417.1	26%	\$33,312	\$80	-8%	-14%
Samsung (S. Korea)	227.1	18%	\$27,241	\$120	280.2	20%	\$32,747	\$117	329.0	21%	\$48,213	\$147	17%	47%
Apple (U.S.)	25.4	2%	\$8,380	\$330	47.5	3%	\$15,450	\$325	93.2	6%	\$30,011	\$322	96%	94%
LG (S. Korea)	117.9	9%	\$13,406	\$114	116.7	8%	\$11,128	\$95	88.1	6%	\$10,345	\$117	-25%	-7%
ZTE (China)	50.2	4%	\$1,915	\$38	60.4	4%	\$2,430	\$40	66.0	4%	\$3,473	\$53	9%	43%
Huawei (China)	25.2	2%	\$990	\$39	30.2	2%	\$1,220	\$40	53.0	3%	\$5,225	\$99	75%	328%
RIM (Canada)	33.4	3%	\$10,690	\$320	47.4	3%	\$14,519	\$306	51.4	3%	\$16,076	\$313	8%	11%
HTC (Taiwan)	11.7	1%	\$4,140	\$354	24.6	2%	\$8,834	\$359	45.2	3%	\$15,777	\$349	84%	79%
Motorola (U.S.)	55.1	4%	\$7,146	\$130	37.2	3%	\$7,819	\$210	41.4	3%	\$9,069	\$219	11%	16%
Sony Ericsson (Japan/Sweden)	57.1	5%	\$9,447	\$165	43.1	3%	\$8,326	\$193	34.4	2%	\$7,263	\$211	-20%	-13%
Other	225.1	18%	\$9,000	\$40	284.7	20%	\$10,925	\$38	381.2	24%	\$16,567	\$43	34%	52%
Total	1,260.0	100%	\$130,398	\$103	1,425.0	100%	\$152,132	\$107	1,600.0	100%	\$195,331	\$122	12%	28%

Source: IC Insights, company reports

Key Points:

The "Other" segment includes legitimate as well as unlicensed and counterfeit cellphone sales.

Smartphone producer Apple registered the highest unit volume growth in 2011.

Driven by the surging smartphone market, the cellphone ASP in 2011 increased 14%.

Nokia's unit marketshare dropped eight points from 2009 to 2011.

Three top 10 suppliers registered a decline in cellphone unit sales in 2011 (Nokia, LG and Sony Ericsson).

Apple's cellphone sales (units and dollars) more than tripled in 2011 as compared with 2009.

Figure 1

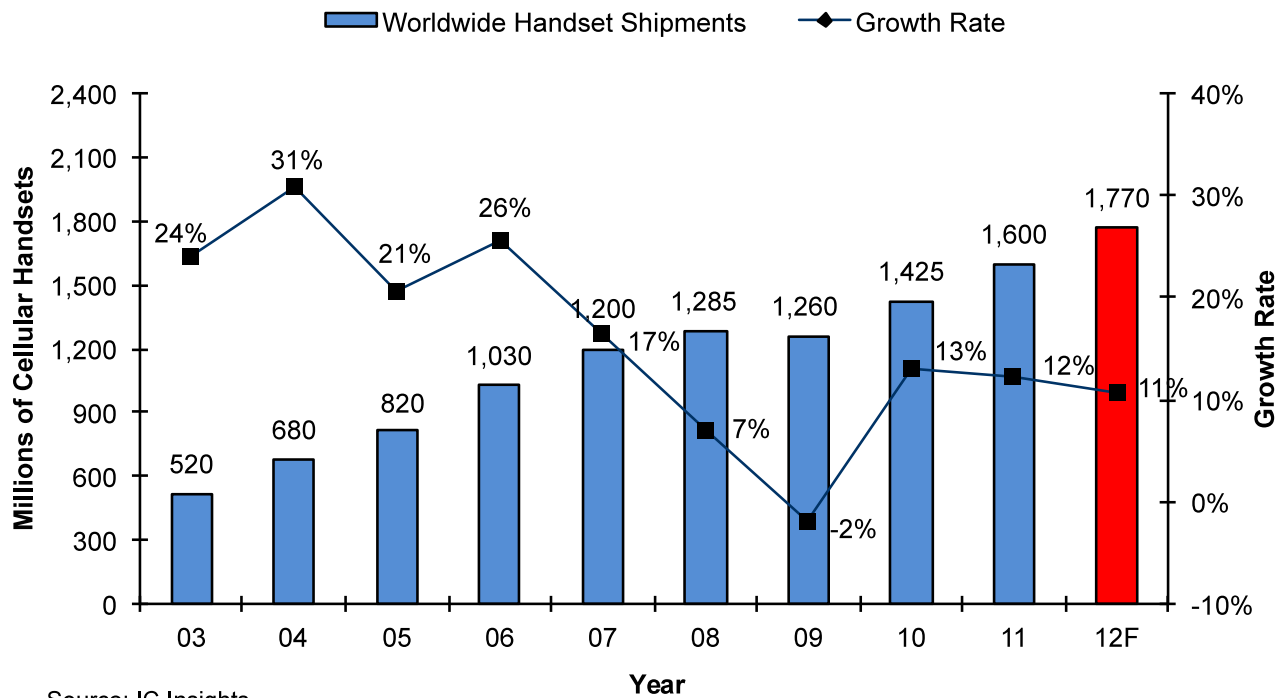
A relatively healthy worldwide economy and "pent-up" demand both contributed to the 12% increase in cellular phone handset sales in 2011. As shown, good double-digit growth is still expected for cellphone unit shipments in 2012 (11%).

The seasonal quarterly pattern for cellphone unit shipments is typically strong sequential growth in the third and fourth quarters of the year followed by a decline in first quarter shipments. While a typical seasonal 10% decline in cellphone shipments is estimated to have occurred in 1Q12, IC Insights believes that the remaining quarters of 2012 will display solid sequential growth and help full-year 2012 cellphone sales increase 11% as compared to 2011.

The highest growth markets for cellular handset unit shipments in 2011 were India and the Middle East/Africa with each regional segment registering a 21% increase. China remained the largest market

for cellphones with 310 million handsets sold in this country in 2011. The North America and Europe regions registered only single-digit growth in 2011. Developed countries and regions have essentially reached the saturation point with regard to new subscribers and will now depend almost entirely on replacement sales and multi-phone users to drive future cellphone sales.

Cellular Phone Handset Shipment Forecast (2003-2012)



Source: IC Insights

Figure 2

Report Details: *IC Market Drivers 2012*

IC Insights will release its mid-year *Update* to its 2012 *IC Market Drivers* report in May. With over 100 pages, the update will provide new data and forecast information on the end-use markets that are big users of ICs. The 2012 *IC Market Drivers* report details and forecasts automotive, tablet PC, smartphone, and other electronic systems that are driving the IC market. It examines leading applications for ICs and evaluates the potential growth for new applications that are expected to fuel the market for ICs through 2015.

Price: (original report and *Update*): **\$3,090** in electronically delivered PDF format (including single-user Internet password); **\$6,190** for multi-user corporate license (includes PDF and multi-user Internet access password). Visit <http://www.icinsights.com/services/ic-market-drivers/> for more information.

To review additional information about IC Insights' new and existing market research products and services please visit our website: www.icinsights.com

About IC Insights

IC Insights, Inc., based in Scottsdale, Arizona USA, is dedicated to providing high-quality, cost-effective market research for the semiconductor industry. Founded in 1997, IC Insights offers coverage of global economic trends, the semiconductor market forecast, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of end-use applications driving demand for ICs.

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