

Gartner Says Worldwide Mobile Phone Sales Grew 15 Per Cent in Third Quarter of 2007

- Top Five Vendors Achieved 81.6 Per Cent Global Market Share

Egham, UK, 27th November, 2007 — Worldwide sales of mobile phones to end users in the third quarter of 2007 reached 289 million units, a 15 per cent increase from the same period last year, according to Gartner, Inc. The top five vendors increased their market shares and accounted for 81.6 per cent of the global market share.

“Even though relatively few models were introduced this quarter, overall sales exceeded expectations. Mobile phone sales were mainly driven by strong performances in Asia/Pacific and Eastern Europe, the Middle East and Africa,” said Carolina Milanese, research director for mobile devices research at Gartner, based in Egham, UK. “The third quarter also saw Samsung gain the No. 2 position taking advantage of Motorola’s continued weak performance.”

Nokia’s mobile phone sales to end users totaled 110.2 million units reaching a market share of 38.1 per cent in the third quarter of 2007. This quarter, Nokia not only exhibited the highest year-on-year market share increase, but also raised operating margins thanks to effective cost management and global distribution strategy. This was achieved despite the average price of its phones falling from €90 to €82. The lower average price was linked to the higher proportion of ultra-low cost devices sold in the quarter. Nokia was also the main provider of those devices as Motorola shifted focus away from them.

Table 1
Worldwide Mobile Terminal Sales to End-Users in 3Q07 (Thousands of Units)

Company	3Q07 Sales	3Q07 Market Share (%)	3Q06 Sales	3Q06 Market Share (%)
Nokia	110,177.8	38.1	88,129.1	35.1
Samsung	41,776.0	14.5	30,583.2	12.2
Motorola	37,765.2	13.1	52,005.4	20.7
Sony Ericsson	25,391.6	8.8	19,514.9	7.8
LG	20,499.1	7.1	14,958.5	6.0
Others	53,325.2	18.4	45,861.9	18.4
TOTAL	288,934.9	100.0	251,053.0	100.0

Note* This table includes integrated digital enhanced network (iDEN) terminals. It excludes original design manufacturers to original equipment manufacturer shipments and Code Division Multiple Access Wireless Local Loop (CDMA WLL)

Source: Gartner (November 2007)

Samsung’s sales to end users reached 41.8 million units and saw the vendor gain the No. 2 position as it better managed its channel inventory. Sales of its Ultra Edition II series continued to gain momentum in key markets such as Western Europe, where Samsung reached 21 per cent market share, its strongest performance in the region. “Samsung will have to continue to closely manage its inventory in the last quarter of the year so they do not to start 2008 on the wrong foot,” Ms Milanese said.

Motorola's sales into the channel remained weak and, with limited surplus stock, sales to end users were not enough to maintain its No. 2 position. Motorola's market share dropped 7.6 percentage points from the third quarter of 2006, relegating the vendor to the No. 3 position. "Motorola today is a pale version of the company it was a year ago," Ms Milanese added. Although the Razr2 was well received and accounted for 900,000 of the overall sales, Motorola needs a much stronger portfolio to return to its former market share.

Sony Ericsson's positive performance continued in the third quarter of 2007 as sales reached 25.4 million units. As Sony Ericsson built up sales volume and presence in some regions, such as Latin America, it also saw a slight increase in inventory among distributors. "With Sony Ericsson's change in leadership earlier this quarter, we are hoping that Mr. Komiyama's expertise of the US market might help Sony Ericsson make some inroads in what remains the vendor's weakest point," Ms Milanese said.

LG sold 20.5 million units in the third quarter of 2007 and reached a market share of 7.1 per cent. LG faced stronger competition in markets such as India, where the code division multiple access (CDMA) market has become challenging as operators closed deals with new entrants such as ZTE.

Regional Analysis

In Asia/Pacific, mobile phone sales rose to 101.8 million units, a 26 per cent increase from the third quarter of 2006. India saw the largest growth, reaching 24.5 million units during the quarter. "India's performance was driven by CDMA phones and fierce competition among operators of global systems for mobile communications (GSM) networks, which stimulated sales of replacement phones and allowed operators to penetrate rural areas quickly," said Ann Liang, principal analyst for mobile devices research at Gartner, based in Taiwan. In mature markets, demand for replacement phones gravitated toward the extremes and saw sales of mid-tier models flatten out, while those at the high and low ends increased.

Sales of mobile phones in Eastern Europe, the Middle East and Africa reached 49.6 million units in the third quarter of 2007, a 3.5 per cent increase from the same period last year. Growth in the region remained strong as mobile operators in Africa continued to add new subscribers to their networks. Sales in markets such as Russia and Ukraine picked up slightly compared with previous quarters. In addition, seasonality in many countries of the Middle East helped as sales grew after the Ramadan period.

In Japan, sales to end users in the third quarter of 2007 were 13.1 million units, an increase of 21.8 per cent from the third quarter of 2006. "Japan performed extremely well this quarter, exhibiting one of the strongest performances worldwide. Sales to end users exceeded sales to the distribution channel by about one million units and excessive inventory that was built up in the second quarter of 2007 was successfully reduced in the third quarter," said Nahoko Mitsuyama, principal analyst for mobile communications research at Gartner, based in Tokyo.

Sales of mobile handsets to end users in Latin America reached 32.2 million units in the third quarter of 2007, an increase of 8 per cent from the same period last year. Despite a decline in new subscribers, aggressive technology migrations and healthy upgrade and replacement sales helped maintain the market's overall performance this quarter," said Tuong Nguyen, analyst for mobile devices research at Gartner, based in Arlington, Virginia. Brazilian operator Vivo continued to make notable progress with its CDMA-to-GSM migrations, helping the vendor more than double its number of GSM subscribers this quarter.

The North American handset market continued to exhibit strong growth. Sales to end users reached 45 million units in the third quarter of 2007, a 10.3 per cent increase from the same period in 2006. "The Apple iPhone was a major catalyst for AT&T's performance this quarter, as it drove customers into AT&T stores. Apple iPhone sold more than one million units in its first quarter," said Hugues De La Vergne, principal analyst for mobile devices research at Gartner, based in Dallas, Texas. The quarter also showed sales of significant new products from major vendors, in preparation for what Gartner predicts should be a record fourth-quarter holiday season.

Sales of mobile phones in Western Europe reached 47.2 million units, a 14.9 per cent increase year-on-year. Even though only a small number of new models were launched in the third quarter, replacement sales remained strong. New connections continued to exhibit growth, up 2.3 percent from last quarter, driving average penetration in the region to 115 per cent and reached more than 100 per cent penetration in all countries except France. "We expect the fourth quarter to be particularly strong in terms of shipments, as new models from key players such as Nokia and Sony Ericsson will arrive well in time for Christmas. The long-awaited iPhone will have been on sale since early November in the UK and Germany and available later this month in France," said Ms Milanese.

"Although the third quarter of 2007 was stronger than we anticipated, we are confident that sales in the fourth quarter will continue to be strong. We expect a quarter-on-quarter growth of at least 10 per cent and, possibly, as high as 15 per cent. This would result in worldwide mobile phone sales for 2007 being in line with our expectations of 1.134 billion units or slightly higher," concluded Ms Milanese.

More information is available in the Gartner report "Dataquest Insight: Market Share for Mobile Devices, 3Q07". The report is available on Gartner's website at www.gartner.com.

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