



Capital Market Days

Nokia in China

Colin Giles

China Market

The three “c”s

Capital Market Days



Competitive

- 880 Models on the market
- International & Domestic Vendors

Challenging

- Government involvement at all levels
- Local players don't play by the “rules”

Complicated

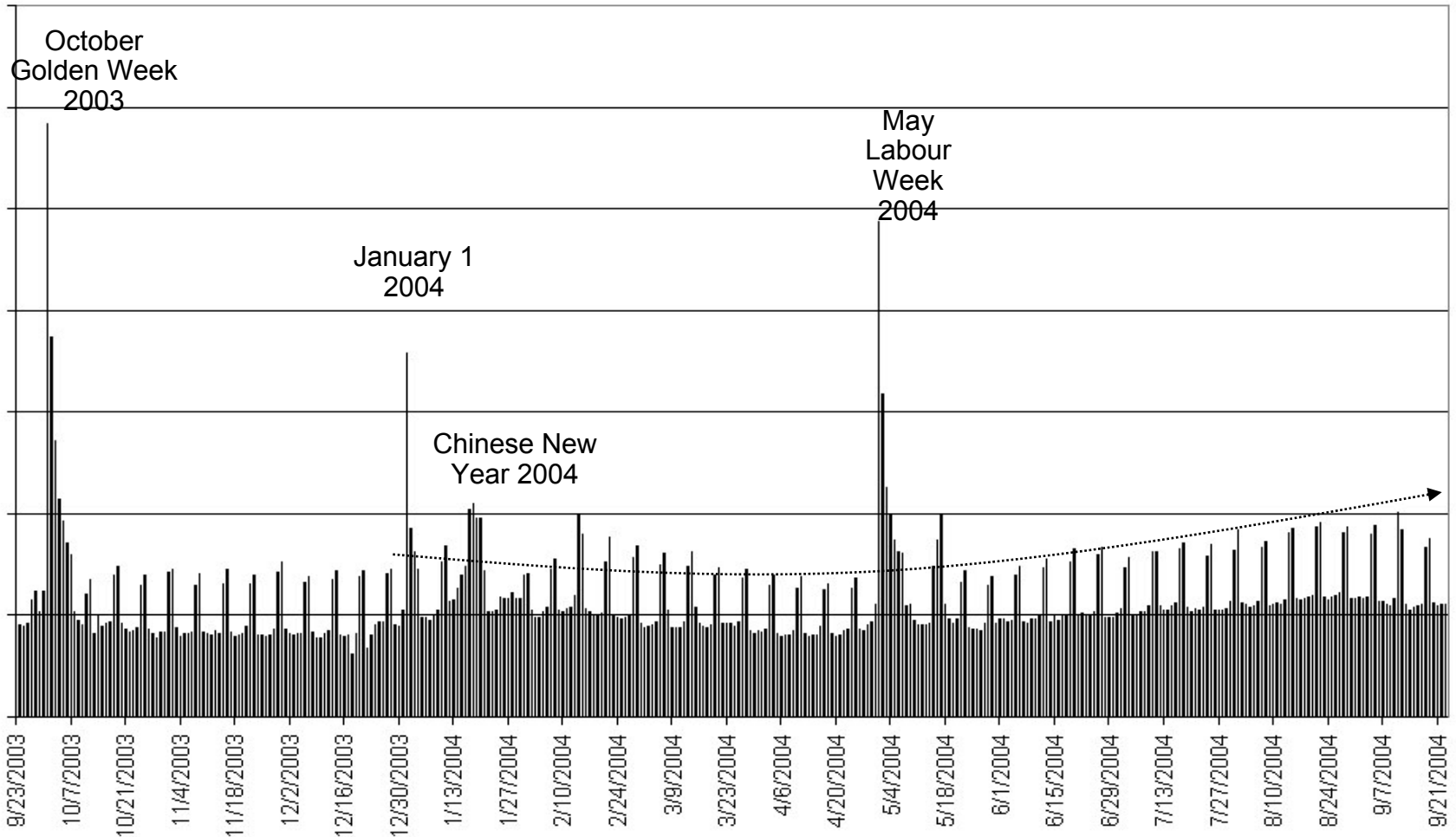
- 42,000 Retail Outlets
- In 275 Prefecture Cities, 381 County Cities, 20601 Towns
- Retail Lead Market

..... with over 300 million subscribers, it's the world's biggest market

A View From Retail



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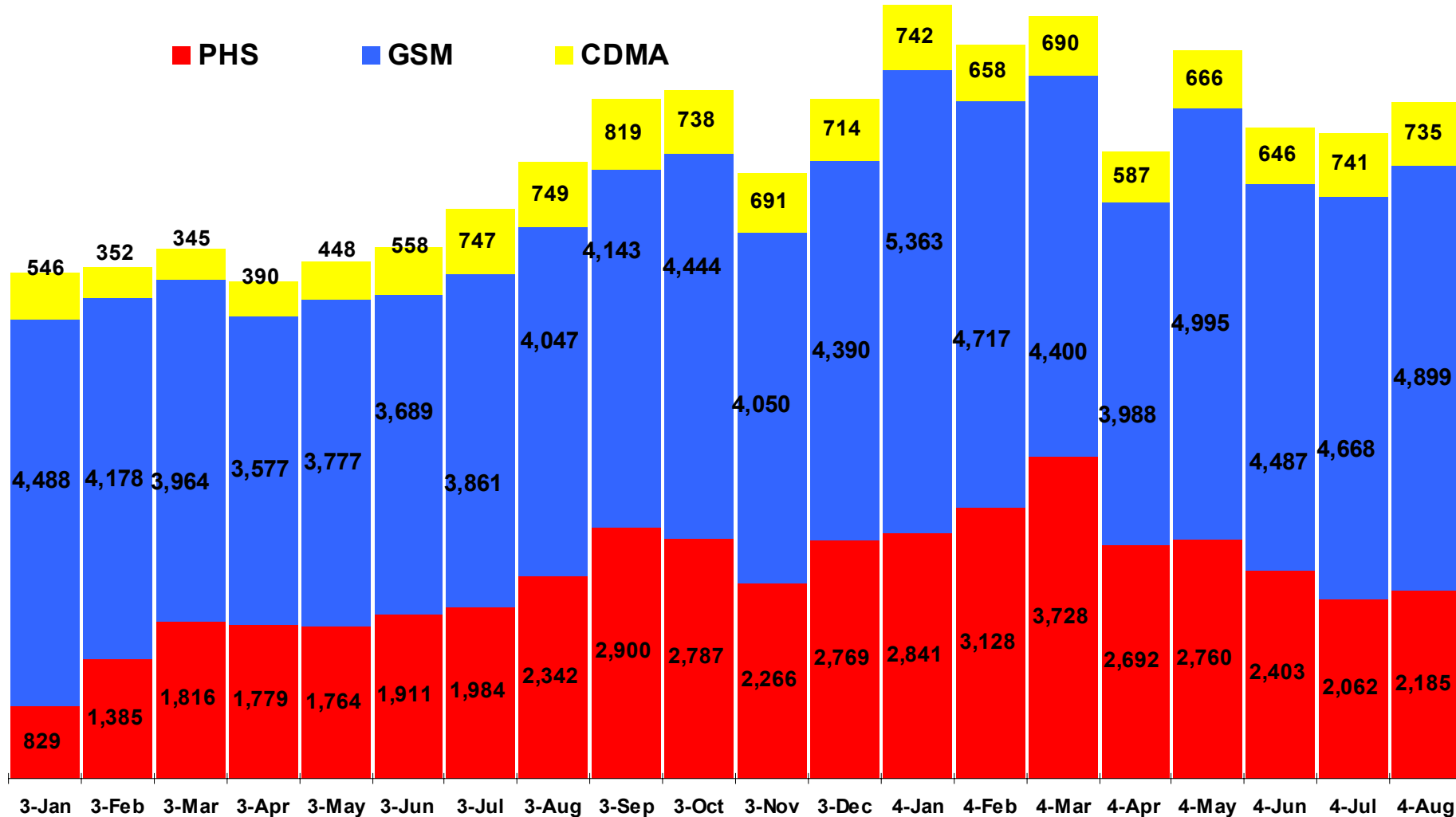
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Key Developments in 2004

CDMA Flat, PHS's Share of the Market Has Dropped



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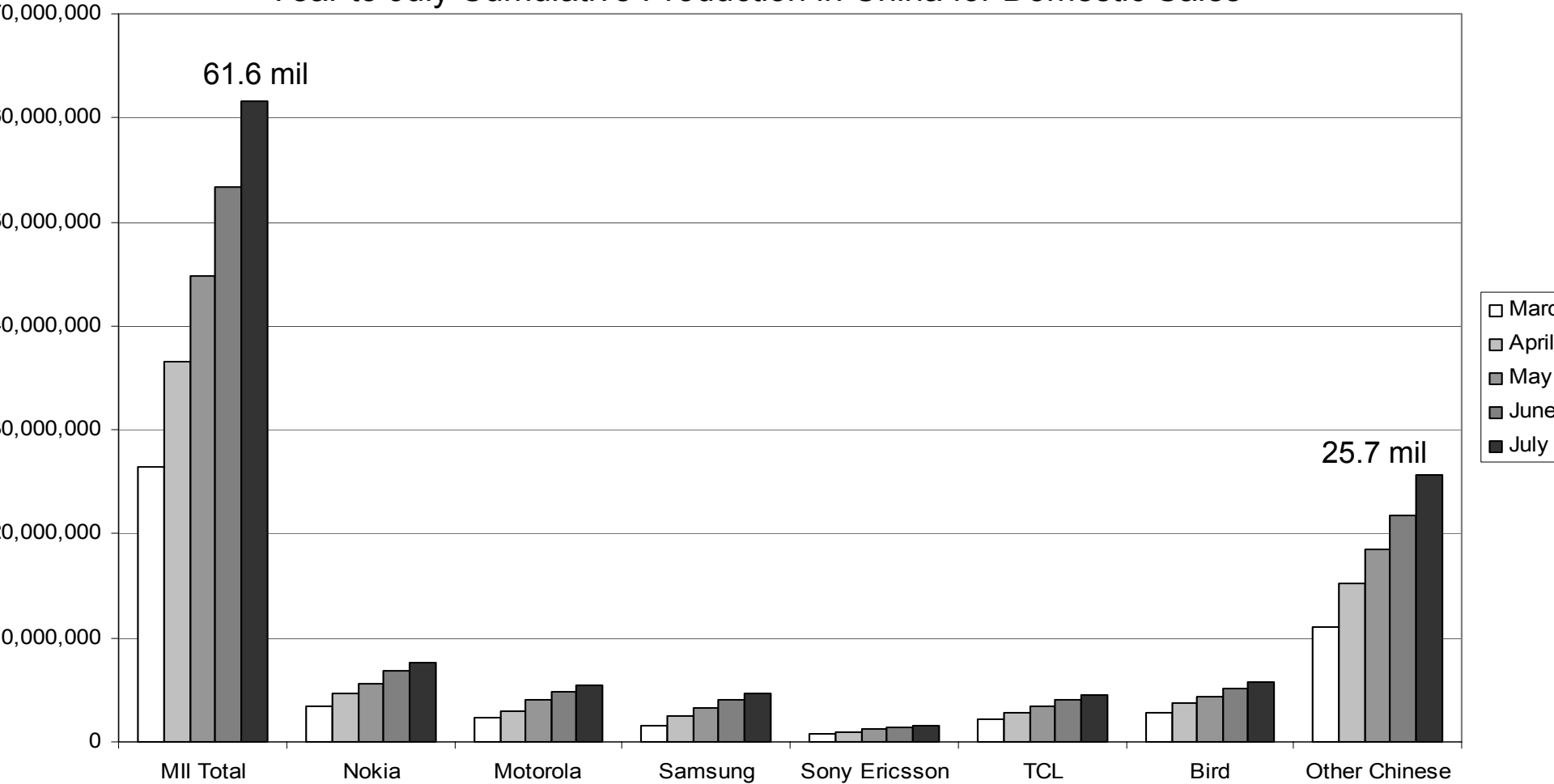
Source: Gfk

Inventory?

MII View



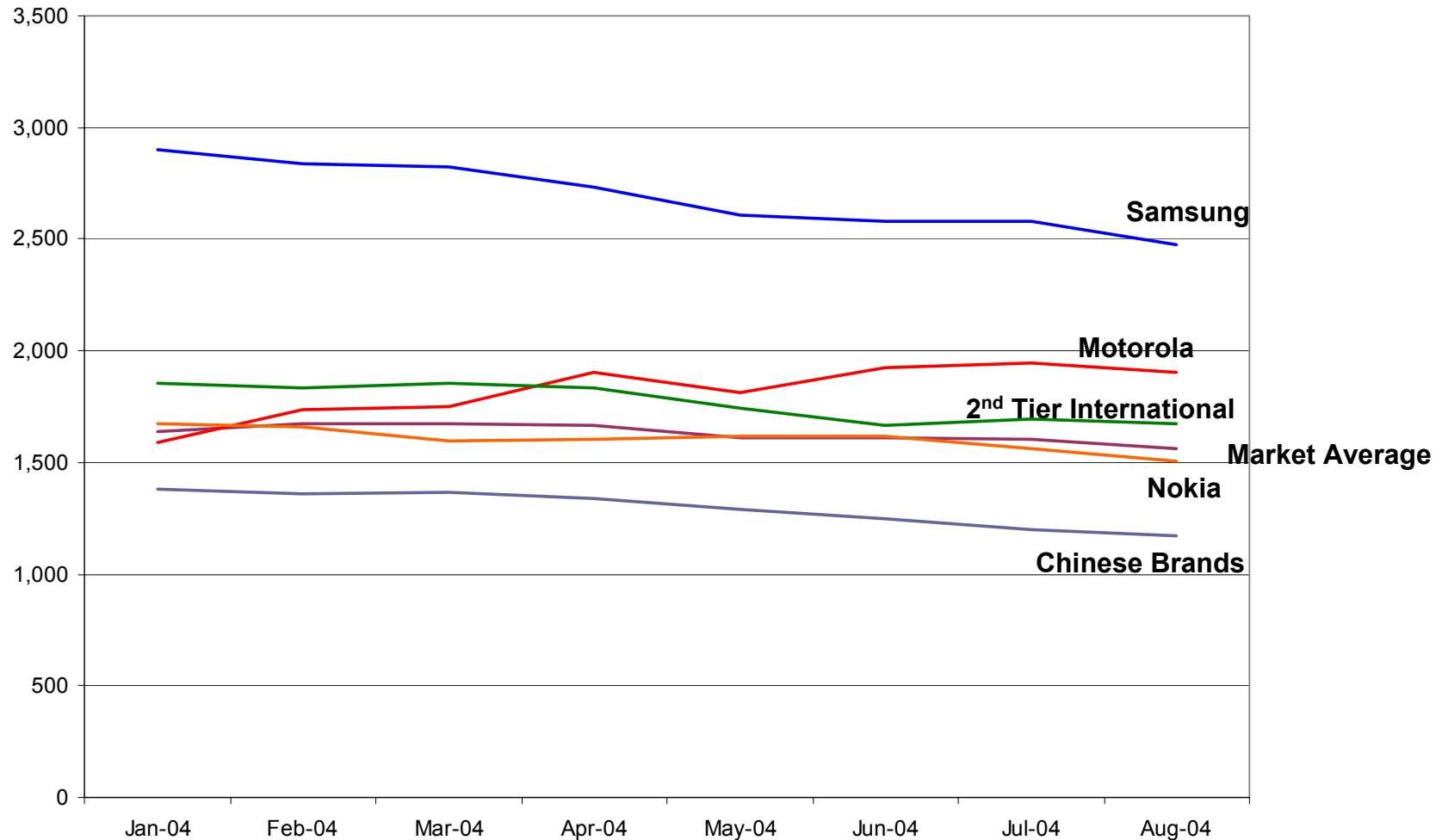
Year to July Cumulative Production in China for Domestic Sales



Average Selling Prices



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Source: GfK

Chinese Vendors



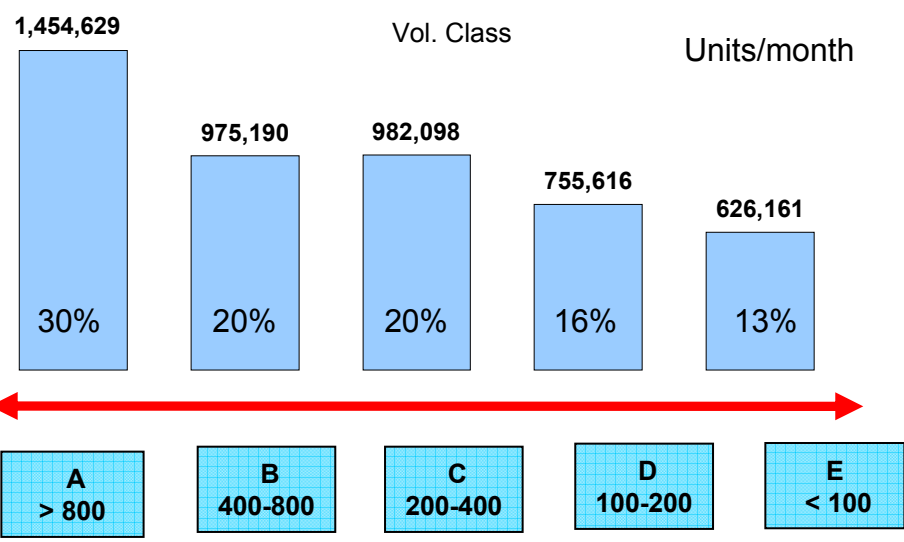
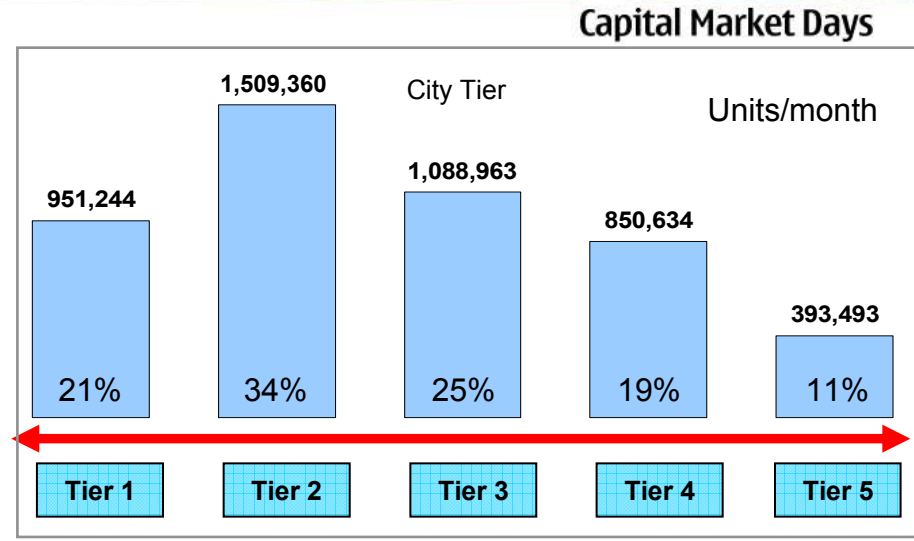
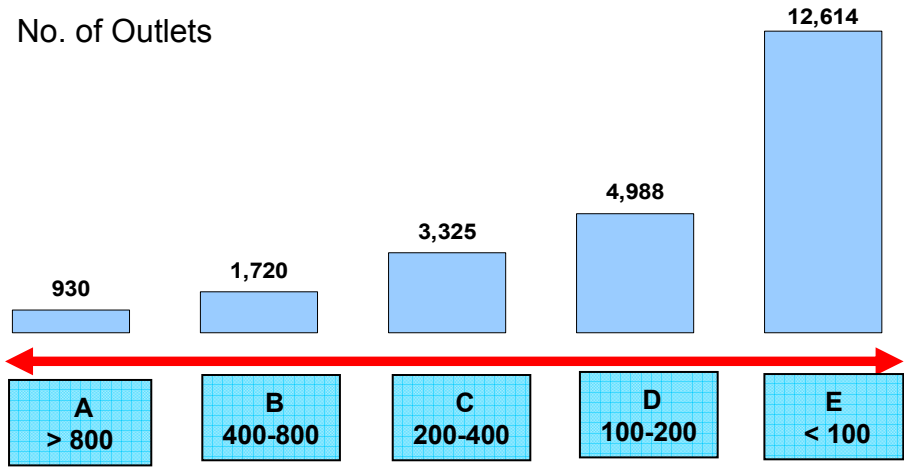
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- Success gained through good understanding of the local market dynamics
- Wide coverage. Stronger in smaller cities in towns. Very large field forces
- Strong management of transshipment and price
- Brand names from other industries. Able to cross utilise and subsidise resources from other categories of products
- Strong support from local government

- People's bank tightened monetary supply has an impact
- Marketing investments declining. Above & Below the line
- Chinese Vendors favorable channel trade terms are proving unsustainable
- R&D Obstacles are getting in the way
- Chinese Vendors made "Quality" a key purchase criteria
- Consolidation imminent

The Retail Environment

Fact & Figures



- Fragmented Marketplace
- Retail Universe ~ 42,899 Outlets
- 70% of the volume is in Tier 1, 2 & 3 Cities
- 70% of the volume is in the larger stores
- Sales Volume is moving to Smaller Cities & to Bigger Stores



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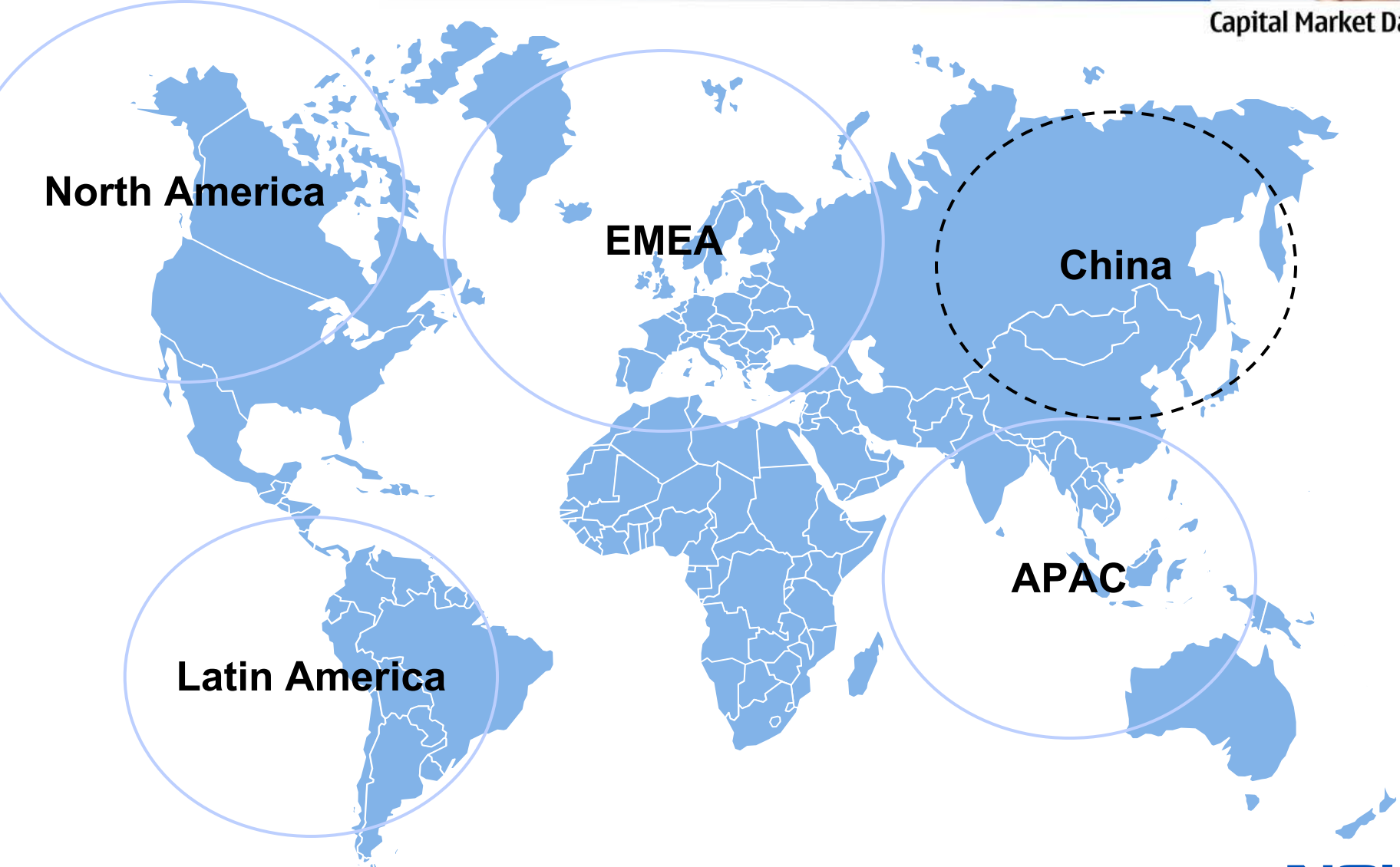
Key Developments at Nokia

More Focus on China

Customer & Market Operations



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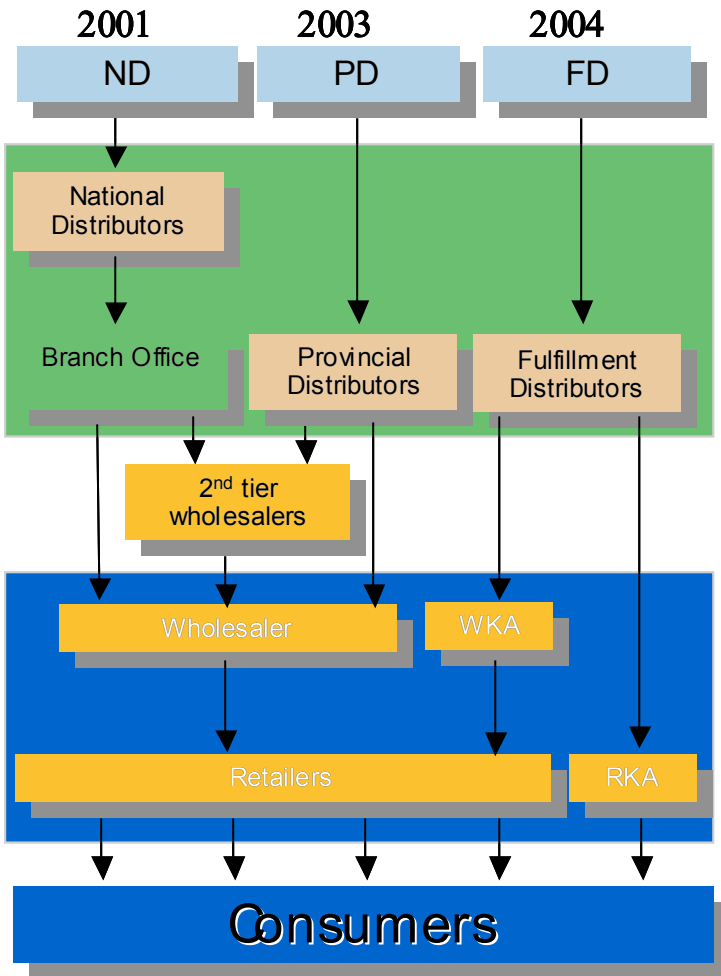
Distribution & Organisation Developments Have Taken Center Stage



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Distribution Development

Organisation Development



Sales Force has the relationship with the retailers and takes the order



50 Sales Offices with 4000 People in 380 Cities focusing on the 17,000 Key Retail Accounts

From Merchandising (2001) to Relationship Building (2003) to Sales & Order Taking (2004)

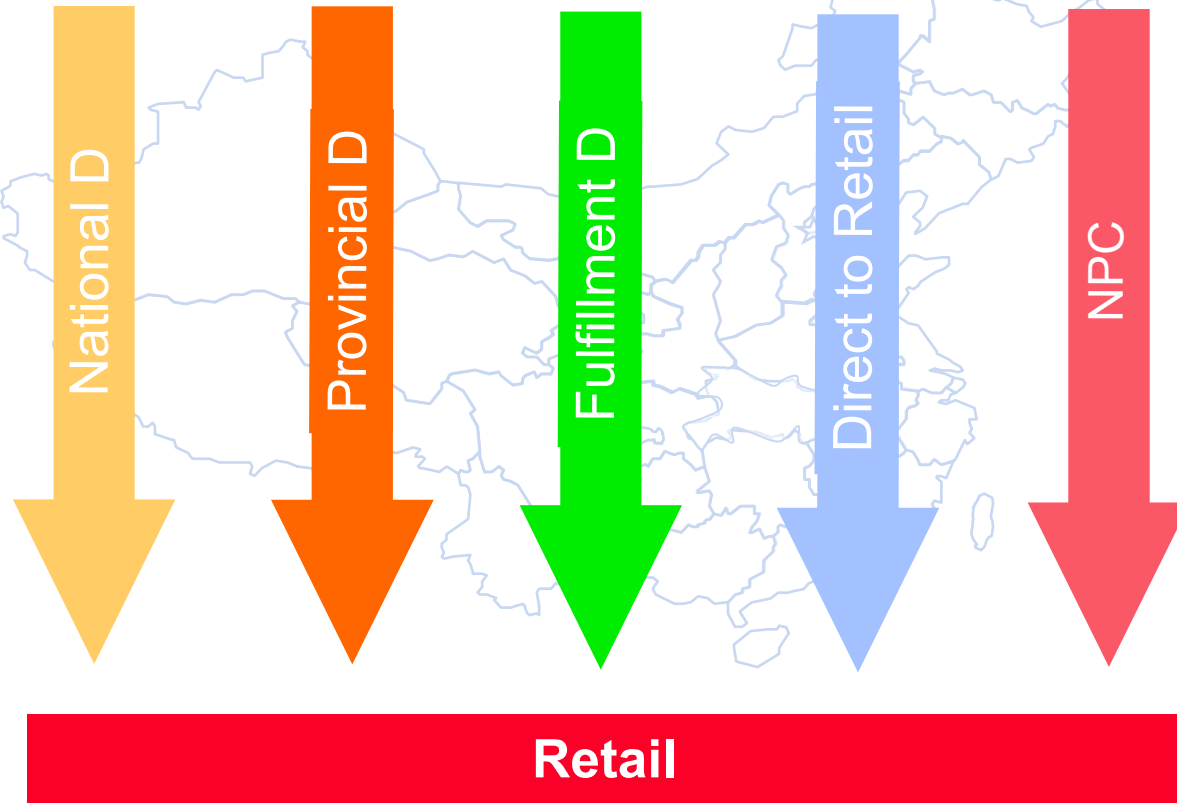


Distribution



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NOKIA



- 100+ Partners
- 3 National Distributors
- Over 80 Provincial Distributors
- National & Provincial Direct To Retail Partners
- Better Margin Structures
- More Price Control
- Better Retail Management

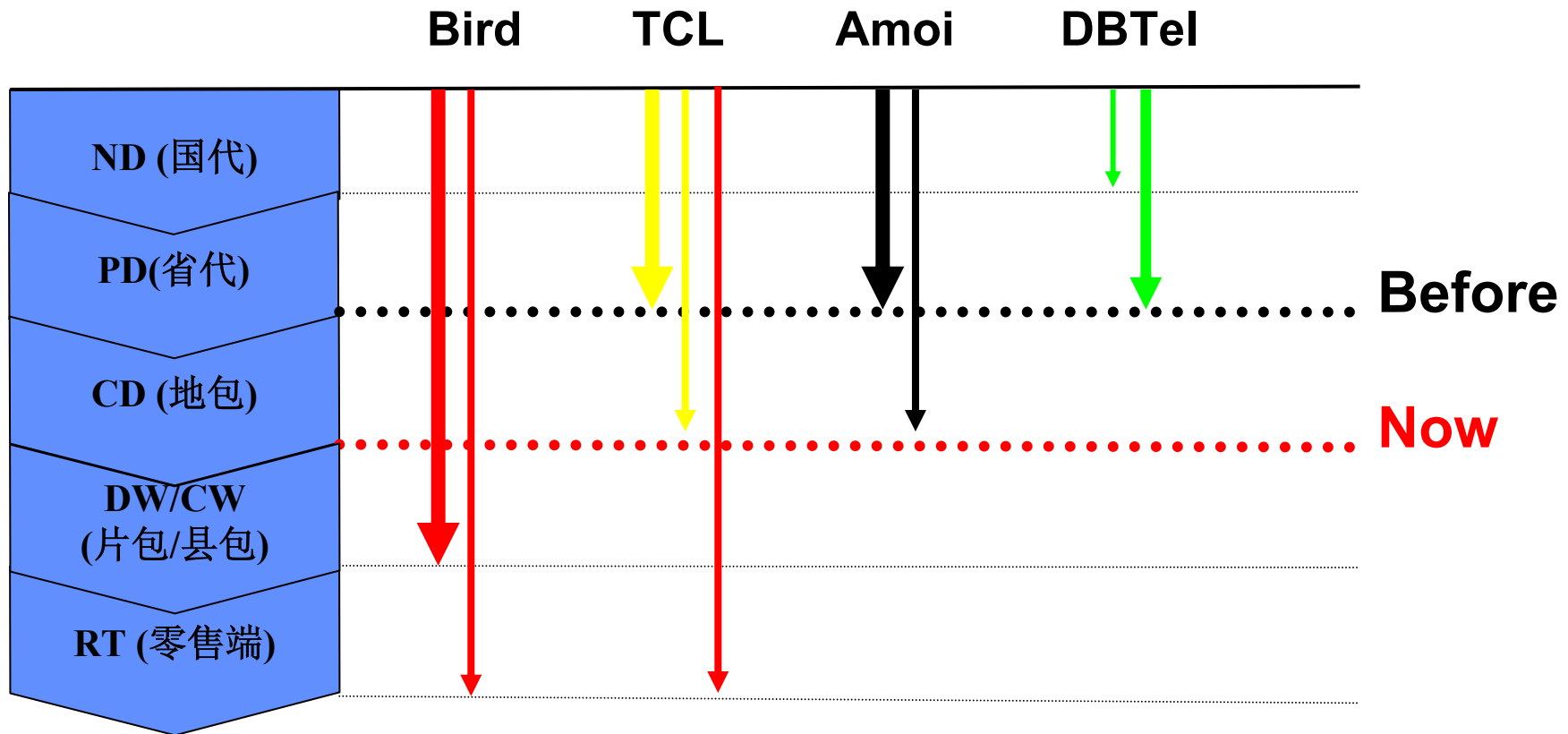
Meanwhile: Chinese Vendors

Distribution Policies have Changed



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Local brands are shifting focus from PD to CD to further de-layer their channel.



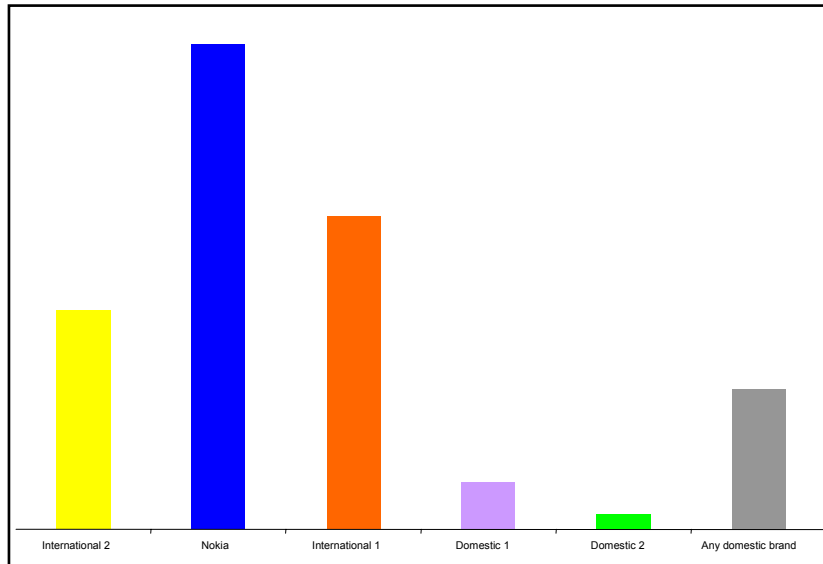
Note: ND – National Distributor 国代; PD – Provincial Distributor 省代; CD – City Distributor 地包; DW – District Wholesaler 片包; CW – County Wholesaler 县包; RT – Retailer 零售终端.

Strong Brand Presence



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Brand Preference



Nokia Products Are Selling Well in China



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RANK Aug.	RANK Jul.	BRAND	MODEL	Units%	AVP (RMB)	Form Factor
1	1	NOKIA	3100	3.1%	1224	BAR
2	2	NOKIA	2100	2.7%	775	BAR
3	8	NOKIA	3120	1.9%	1399	BAR
4	3	NOKIA	2300	1.8%	891	BAR
5	4	NOKIA	1100	1.6%	767	BAR
6	5	NOKIA	3108	1.5%	1417	FLIP
7	6	NOKIA	6108	1.4%	1842	FLIP
8	10	SIEMENS	C62	1.3%	1008	BAR
9	13	SONY ERICSSON	T618	1.1%	1972	BAR
10	11	SAMSUNG	SGHS508	1.1%	2117	CLAMD
11	12	PHILIPS	XENIUM9@9	1.0%	1175	BAR
12	9	BIRD	S1190	1.0%	799	CLAM
13	7	BIRD	V10	1.0%	1325	CLAMD
14	14	MOTOROLA	C550	0.9%	1304	BAR
15	19	SAMSUNG	SGHT108	0.9%	1744	CLAMD
16	21	SAMSUNG	SGHT408	0.9%	1871	CLAMD
17	17	SAMSUNG	SGHS308	0.9%	2384	CLAMD
18	15	MOTOROLA	C266	0.9%	849	BAR
19	23	BIRD	S788	0.8%	913	BAR
20	25	AMOI	A6	0.8%	884	CLAM



Nokia 3210



Nokia 6108

Source: GfK

CDMA Needs Special Attention



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- Competitors are Different
- Customer has Different Needs
- Distribution and Retail are different from GSM
- Nokia was late in CDMA



Action Taken:

- R&D Centre established
- More products tailored for China
- New Operator Organisation established
- More products tailored for Unicom



Nokia Positioned Well for 3G



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- Possibility that licenses will be announced at the end of this year or early of next
- Roll-Out probably still only in 2006
- Several scenarios have been tabled
- Nokia is well positioned for WCDMA
 - Plan to be key supplier of infrastructure
 - Already have a range of WCDMA terminal handsets
- Nokia is well positioned for TDSCDMA
 - Shareholding in Commit
- Nokia's ability to be a supplier of end-to-end solutions will be a key differentiator for Nokia

Nokia Will Enter the Games Market



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- Nokia will enter the Mobile Games Market in Q4
- Broadly focused product:
 - Java Games
 - MMOG
 - MP 3
 - QQ Online Games
 - QQ Instant Messaging
 - E-Book
- Use Nokia's established retail relationships and brand to take an early mover advantage in the China Games Market

Growth Potential

New Subs & Replacement



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1st & 2nd Tier Cities

Higher Income Areas

Penetration > 20%

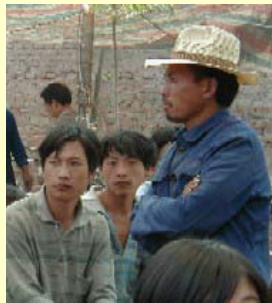
Replacement Rate ~ 2 years

Looking for the next best thing – technology & Fashion

Prefer Branded Goods

Internationals better positioned

Products can be easily advertised through targeted advertising and sold through targeted channels



3rd & 4th Tier Cities

Lower Income Areas

Penetration < 10%

Replacement Rate > 3 years

Want to buy their first phone

Very price sensitive

Local brands well positioned
but market now turning

Deep distribution required with
strong retail management



Products for 3rd & 4th Tiers



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NOKIA
Power4u. Fast4u
诺基亚

4350
彩色主题模式

合成音铃声

扬声器功能

强大的任务功能

电子日历

孩子就是我的大老板

NOKIA
2600

生活也是大事业



N1100/1108



N2650

NOKIA

Products for 1st & 2nd Tiers



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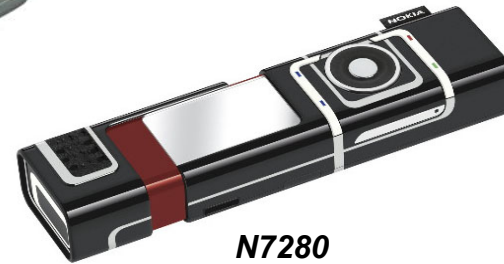
N6260



N7270



N6170



N7280

N3220



N7260



Range of Trend Setting Products for more developed cities

NOKIA

Questions



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Thank You!