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5G MOMENTUM DRIVES SMARTPHONE GROWTH

BOOMING 5G DEMAND DRIVES MARKET GROWTH FOR NOKIA

Finnish telecommunications equipment vendor Nokia says strong demand for 5G has driven growth in its business for the second quarter and helped the company achieve "compelling results' for the full year 2019.

Nokia says it continues to enhance its market position in 5G and now has 45 commercial 5G deals and 9 live networks.

Releasing its financial results for Q2 and full year 2019, the company says it has delivered a strong second quarter, driven by 5G demand, a competitive end-to-end portfolio and "strengthened operational execution".

Nokia financial results:

EUR million (except for EPS in EUR)	Q2'19	Q2'18	YoY change	Constant currency YoY change	Q1-Q2'19	Q1-Q2'18	YoY change	Constant currency YoY change
Net sales	5 694	5 313	7%	5%	10 726	10 237	5%	2%
Networks	4 393	4 081	8%	5%	8 336	7 864	6%	3%
Nokia Software	678	612	11%	8%	1 221	1 153	6%	3%
Nokia Technologies	383	361	6%	4%	753	726	4%	2%
Group Common and Other	263	280	(6)%	(6)%	484	532	(9)%	(9)%
Non-IFRS exclusions	(2)	(5)	(60)%		(27)	(9)	200%	
Gross profit	2 065	1 860	11%		3 646	3 666	(1)%	
Operating profit/(loss)	(57)	(221)	(74)%		(581)	(557)	4%	
Networks								

"Given these compelling results, we are confirming our full-year 2019 guidance," Nokia says, but warns that risks remain in the year, including execution demands in the second half and trade-related uncertainty and challenges in the China market.

Nokia president and CEO Rajeev Suri said, "overall, I am pleased with Nokia's performance in the second quarter and our continued progress in executing our strategy."

He said, "over the longer-term, driven by our strategy, which includes competing in 5G more effectively due to our strong end-to-end portfolio, focusing on targeted growth opportunities in attractive adjacent markets and building a strong network agnostic software business."

Suri also notes that key drivers of the company's outlook include "the timing of completions and acceptances of certain projects, particularly related to 5G".

"Based on the evolving readiness of the 5G ecosystem and the staggered nature of 5G rollouts in lead countries, we expect full year 2019 will have seasonality characterised by a particularly weak first quarter, a strong second quarter, an expected soft third quarter and an expected particularly strong fourth quarter."

Peter Dinham

O2 ANNOUNCES LAUNCH OF UK'S THIRD 5G SERVICE IN OCTOBER

Britain will get its third 5G service in the same month that Brexit has been promised, with O2 announcing on Thursday that its network would be switched on in October in 20 towns and cities, expanding to 50 by summer next year.

In **a statement**, the company said it would be focusing on areas where it claimed customers needed the technology most: transport hubs, key business areas and entertainment and sports venues including the The O2 and Twickenham Stadium.

As to 5G-enabled devices, O2 said the Samsung Galaxy S10 5G would be available for purchase by 8 August, with the Xiaomi to follow later the same month. Both consumers and businesses would be able to select 5G prices that suited them.

Mark Evans, chief executive of Telefónica UK, the owner of O2, said: "5G is going to be a game changer for our country. Whether it's for people or businesses, the power of this next-generation network is going to unlock a world of possibilities for our economy and society.

"As we switch on our network across the country, our intelligence-led roll-out prioritises the key areas in towns and cities first – the places where our customers need, and will use, 5G the most.

"We're also giving our customers maximum flexibility with our industry-leading custom plans, letting people adopt 5G at a time that's right for them."

Two 5G services are already operating in the UK, those of **EE** and **Vodafone**. In both cases, the companies have used gear from Chinese telecommunications equipment vendor Huawei Technologies in non-core parts of the network. iTWire has asked Telefónica UK if it will be doing the same.

O2 said it would have 5G operating in the following 20 towns and cities by the end of the year: Belfast, Blackpool, Bournemouth, Bristol, Cardiff, Coventry, Derby, Edinburgh, Eton, Guildford, Leeds, Leicester, Lisburn, London, Norwich, Nottingham, Reading, Slough, Stoke and Windsor.

And by the UK summer of 2020, the following additional 23 towns and cities would be covered: Aberdeen, Bradford, Brighton, Birkenhead, Birmingham, Cambridge, Glasgow, Hove, Kingston, Liverpool, Luton, Manchester, Milton Keynes, Newbury, Newcastle, Northampton, Plymouth, Portsmouth, Sheffield, Southampton, Sunderland, Warrington and Wolverhampton. An additional seven would be announced later to bring the total up to 50.

Sam Varghese

2Q SMARTPHONE SHIPMENTS TO INDIA HIT RECORD: COUNTERPOINT

A record 37 million smartphone units were shipped to India in the second quarter of 2019, according to analyst firm Counterpoint Research, which said the growth was due to new launches, price cuts on existing products and channel expansion across brands.

The top five manufacturers were Xiaomi with 28% of shipments, the same as in the corresponding quarter in 2018, followed by Samsung at 25% (28% in 2018), vivo at 11% (12% in 2018), realme at 9% (1% in 2018) and OPPO at 8% (9% in 2018).

Exhibit 1: India Smartphone Market Share Q2 2019

India **Smartphone** Shipment Market Share (%)	Q2 2018	Q2 2019	
XIAOMI	28%	28%	↔
SAMSUNG	29%	25%	↓
VIVO	12%	11%	↓
REALME	1%	9%	↑
OPPO	9%	8%	↓
OTHERS	21%	19%	
TOTAL	100%	100%	

"Brands which focused on offline channels expanded to online channels with online-exclusive series," said Counterpoint associate director Tarun Pathak.

"Similarly, brands which entered the market with online-exclusive series are now expanding their reach towards the offline channel by forming partnerships with key offline retailers."

Pathak said this strategy was working well for all the leading at-scale players.

Additionally, brands were launching multiple series to target or expand into new product tiers, something that aided them in expanding their product portfolio to target multiple fast-growing segments and also diversify.

"In India, the pricing sweet-spot for consumers has moved to Indian rupee 10,000 (A$208) to Indian rupee 20,000 price band," Pathak said.

"It will remain the biggest contributor in the India smartphone segment this year,"

"Brands are focusing on bringing the latest premium level specifications such as notch display, full-screen view, multiple rear cameras, pop up selfie feature and in-display sensor technology in this segment to stimulate consumer demand."

Regarding the overall smartphone market for the quarter, Counterpoint research analyst Anshika Jain said: "The top five brands' contribution to the total shipments volume reached its highest level driven by new launches and hybrid channel strategy.

"Localisation, branding, and innovation will remain the next key drivers for growth in a highly competitive market like India.

"The market will continue to become more concentrated with majority of share controlled by a few brands leading to more number of exits among the long-tail brands in the market moving forward."

It was a different picture for the feature phone market with a steep decline of 39% in shipments.

Exhibit 2: India Feature Phone Market Share Q2 2019

India Feature Phone Shipment Market Share (%)	Q2 2018	Q2 2019	
JIO	47%	28%	↓
SAMSUNG	9%	21%	↑
LAVA	5%	12%	↑
ITEL	6%	10%	↑
NOKIA	8%	9%	↑
OTHERS	25%	20%	
TOTAL	100%	100%	

This was mainly because of over-stocking of the Jiophone a year ago due to very strong demand.

As the Jiophone fell, brands like Samsung, Lava and iTel made ground in the sub-1000 rupee category.

Sam Varghese

APPLE BUYS MAJORITY OF INTEL SMARTPHONE MODEM BUSINESS

pple has bought a majority stake in Intel's smartphone modem business for US$1 billion and about 2200 Intel employees will move to the Cupertino-based iPhone maker, along with intellectual property, equipment and leases.

An **announcement** from Apple on Thursday said the deal was expected to be concluded in the last quarter of the year.

Reports of the impending deal broke on Monday.

Earlier this year, Intel **said** it was shutting down its 5G modem business after Apple and Qualcomm **reached** an out-of-court settlement to end all pending litigation between them, and also signed a multi-year deal for supply.

After the transaction is complete, Apple will own about 17,000 wireless technology patents, including its own stash, ranging from protocols for cellular standards to modem architecture and modem operation.

Intel will still be able to develop modems for non-smartphone applications such as PCs, Internet-of-things devices and autonomous vehicles.

"This agreement enables us to focus on developing technology for the 5G network while retaining critical intellectual property and modem technology that our team has created," said Intel chief executive Bob Swan.

"We have long respected Apple and we're confident they provide the right environment for this talented team and these important assets moving forward.

"We're looking forward to putting our full effort into 5G where it most closely aligns with the needs of our global customer base, including network operators, telecommunications equipment manufacturers and cloud service providers."

"We've worked with Intel for many years and know this team shares Apple's passion for designing technologies that deliver the world's best experiences for our users," said Johny Srouji, Apple's senior vice-president of Hardware Technologies.

"Apple is excited to have so many excellent engineers join our growing cellular technologies group, and know they'll thrive in Apple's creative and dynamic environment.

"They, together with our significant acquisition of innovative IP, will help expedite our development on future products and allow Apple to further differentiate moving forward."
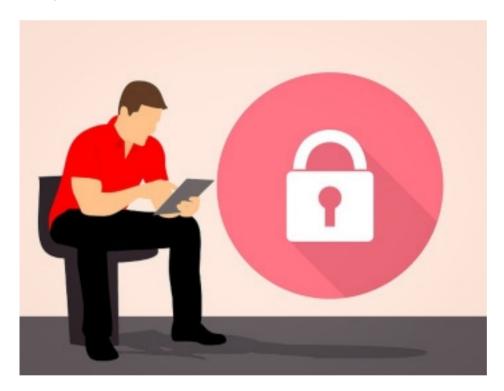
Sam Varghese

US GOVT CALLS FOR BACKDOORS IN APPS THAT USE ENCRYPTION

The United States Attorney General has called for the creation of backdoors in apps that use encryption, arguing that consumers should accept this risk to allow law enforcement access to encrypted communications.

In a speech to an international conference on cyber security in New York on Tuesday, attorney-general William Barr said: "While we should not hesitate to deploy encryption to protect ourselves from cyber criminals, this should not be done in a way that eviscerates society's ability to defend itself against other types of criminal threats.

"In other words, making our virtual world more secure should not come at the expense of making us more vulnerable in the real world. But, unfortunately, this is what we are seeing today."

Barr called on technology firms to do more to provide government in gaining access to devices once they had a legal order to do so.

He did not rule out the passing of legislation to force technology companies to create backdoors, in the same way that Australia has done.

Barr's **speech** ran to more than 4000 words. He cited three ways in which encryption can be bypassed, all of which have been raised before.

One envisions the addition of an account to an encrypted chat channel, with the provider of a service doing so to enable a law enforcement official to snoop.

The second was proposed some years by Microsoft's Ray Ozzie: the creation of a key escrow system where a dedicated hardware device stores encryption keys that would be accessible only by law enforcement.

No solution has yet been proposed that meets these specifications.

Jake Williams
@MalwareJake

Replying to @MalwareJake

If you report on the US (or a "friendly" government) requesting/demanding/whining about encryption backdoors, it's your DUTY to ask whether we're okay with every country on the planet accessing the backdoors too. This is Pandora's Box. It was never meant to be opened. 2/2

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A third idea, first proposed by Matt Tait, a former employee of GCHQ, is for so-called layered cryptographic envelopes.

In Barr's words, "Our colleagues from GCHQ have proposed 'Virtual Alligator Clips' which allow a provider to respond to a warrant by adding a silent law enforcement recipient to an otherwise secure chat.

"Ray Ozzie has tabled a proposal for 'Exceptional Access Keys' for locked, encrypted phones so they can be unlocked pursuant to a warrant.

"Matt Tait has proposed Layered Cryptographic Envelopes to allow lawful access to encrypted data-at-rest on disks or other storage devices."

And he added: "I am suggesting that it is well past time for some in the tech community to abandon the indefensible posture that a technical solution is not worth exploring and instead turn their considerable talent and ingenuity to developing products that will reconcile good cyber security to the imperative of public safety and national security.

"As Microsoft's Bill Gates has observed, '[t]here's no question of ability; it's the question of willingness'."

Sam Varghese