Exhibit 15

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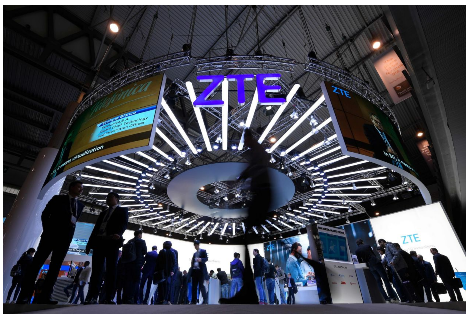
TECH

American Hustle: ZTE's Surprise U.S. Success, Now Under Threat

The U.S. sales ban is forcing one of China's leading telecom firms to reassess its position and future



Chinese telecom giant ZTE has been steadily growing its U.S. smartphone business, almost doubling its market share last year to 11.2%. **PHOTO:** LLUIS GENE/AGENCE FRANCE-PRESSE/GETTY IMAGES

By Dan Strumpf and Newley Purnell
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HONG KONG—In the five years since ZTE Corp. ZTCOY **-1.76%** ▼ was branded a national security threat by U.S. lawmakers, the Chinese telecommunications giant has been quietly building its own American success story.

While locked out of the market for networking technology, ZTE has expanded its smartphone business to where it is now the fourth-largest among U.S. consumers. Last year the Shenzhen-based company almost doubled its market share to 11.2%, selling 19 million handsets and making the U.S. its biggest market, according to research firm Canalys.

But now that success appears to be in jeopardy. In what ZTE executives deem a threat to the company's very survival, the U.S. government moved on Monday to block sales of American products to ZTE, saying it violated terms of a deal last year settling allegations of sanctions-busting involving North Korea and Iran.

The ban has forced the Chinese telecom titan to determine whether it must—or even can—find replacements for key elements of its smartphones and network equipment, such as semiconductors from Qualcomm Inc. QCOM **+3.77%** ▲ and the Android mobile operating system, made by Alphabet Inc.'s GOOGL **+0.43%** ▲ Google.

ZTE shot back at the U.S. on Friday calling the Commerce Department order "unacceptable," and saying it will "not only severely impact the survival and development of ZTE, but will also cause damages to all partners of ZTE including a large number of U.S. companies."

"This is a body blow to them," said Duncan Clark, chairman of BDA China, a Beijing-based consulting firm that specializes in technology. "It's sort of hitting at a homegrown hero."

Qualcomm and Google declined to comment.

A senior Commerce Department official said late Friday that the agency had granted ZTE's request to present additional evidence, although the company doesn't have administrative appeal rights under agency rules. It wasn't immediately clear what kind

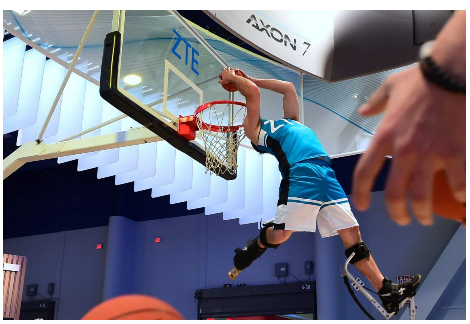
ZTE is the latest company to be caught in the crosshairs of an escalating trade dispute between China and the U.S. that is zeroing in on the technological race between the countries amid heightened national security concerns. The sales ban is likely to accelerate China's efforts to develop its own technology supply chain and wean the country off imports from U.S. companies—a campaign viewed by some officials in Washington as a strategic threat to American interests.

Washington's announcement of a seven-year ban on sales of parts and software to ZTE renews U.S. scrutiny of Chinese telecom companies. ZTE and its bigger and better-known rival, Huawei Technologies Co., were the subject of a 2012 investigation by the U.S. House Intelligence Committee that recommended domestic telecommunications providers not use gear from the Chinese companies in building cellular networks due to national security risks. Both ZTE and Huawei have repeatedly denied that their products pose a security threat.

Among other things, the House report delineated the ownership structures of the two companies. Huawei is privately held and owned by its employees. By contrast, ZTE, founded by five Chinese engineers in the 1980s, is publicly traded on stock exchanges in Shenzhen and Hong Kong and regularly discloses quarterly earnings.

ZTE's transparency earned the company softer treatment than Huawei. However, the House report still noted the state ties of ZTE's largest investor, which currently holds 30% of the company, according to public records. ZTE has said the state-owned investor isn't involved direct or indirectly in any decision making at the company.

The 2012 report prompted Huawei and ZTE to take different paths, with Huawei focusing on expanding outside the U.S., and ZTE nurturing its existing ties with U.S. mobile-phone operators to expand in the market. To deepen its U.S. roots, ZTE opened five research and development centers in the country, put more money into Washington lobbying, and became sponsors of NBA teams, including the Houston Rockets, the New York Knicks and the Golden State Warriors.



As part of its effort to grow its U.S. business, ZTE has sponsored NBA teams. At the 2017 Consumer Electronic Show, it incorporated basketball players into its showcase. PHOTO: FREDERIC J. BROWN/AGENCE FRANCE-PRESSE/GETTY IMAGES

Flash forward to the present, and Huawei now dominates global telecom-equipment sales virtually everywhere except the U.S., where its smartphones likewise are largely absent. For its part, ZTE commands a sizable share of the U.S. smartphone market, though it is an also-ran globally. Last year, ZTE unveiled a new flagship phone, a foldable handset called the Axon M that retails for $725 via AT&T Inc. T +0.51% ▲ in the U.S.

ZTE was set to release its first-quarter results on Thursday, but delayed the report to weigh the impact of the U.S. sales ban.

One possible effect would be to boost the fortunes of its rivals, including Huawei, Finland's Nokia Corp. NOK -1.64% ▼ and Sweden's Ericsson AB.

ZTE's woes might not end up helping Ericsson or Nokia, which generally sell more expensive equipment, said Roger Entner of Recon Analytics. Instead, sales could shift to Huawei, which also sells lower-priced electronics. "If you're shopping for a Kia, you're not going to upgrade to a BMW , " Mr. Entner said.

In 2017, Huawei led the global telecom-equipment market with a 27% share, followed by fourth with 10%. But in the U.S., Ericsson and Nokia each held a 48% market share, leaving little to Huawei and ZTE.

Spokesmen for Ericsson and Nokia declined to comment.

In its home market, ZTE is a small player in smartphones but has become a major supplier of networking equipment like cell towers and routers. Backed by the Chinese government as a tech national champion, it works alongside Huawei in the race to develop next-generation 5G wireless technology—an area in which Qualcomm is viewed by Washington as a crucial U.S. competitor. ZTE sent 11 representatives to an industry-sponsored meeting last month in India to discuss 5G specifications, according to conference records.

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International trade experts called the ZTE sales ban wide-ranging, affecting not just items exported from the U.S., but also software and components marketed by American companies but manufactured in other parts of the world.

That would include a broad slate of hardware critical to ZTE, including Qualcomm semiconductors. It also potentially covers software like the Android operating system, which powers ZTE smartphones. The Chinese company is working to find ways to preserve its access to Android, according to a person familiar with the matter.

"If they're unable to use Google Android, I think that's a big blow because there's no real viable alternative at this point," said Neil Shah, an analyst with research firm Counterpoint.

Without access to parts from U.S. companies needed for its networking gear, ZTE will have a tough time selling its products and being competitive in the rollout of 5G equipment, said Edison Lee, a telecom analyst at Jefferies.

"If this ban really continues and the U.S. really enforces it, I think ZTE is in big trouble," he said.

—John D. McKinnon in Washington contributed to this article.

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