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Strong Demand for Notebooks and Low-Cost Ultra-Portables Drive EMEA PC Market Growth at 24% in 2Q08, Says IDC

LONDON, July 21, 2008 — Driven by continued strength in the notebook market and the additional momentum created by the arrival of new low-cost ultra-portables, PC shipment growth exceeded expectations in EMEA (Europe, Middle East, and Africa) and recorded a robust 24.5% increase in the second quarter of 2008 compared with the same quarter last year, according to preliminary data released by IDC EMEA. Notebooks continued to drive overall market growth at over 53% year on year while desktops also performed a little better than expected at 0.7%.

Growth came in even slightly faster than in the first quarter and highlighted the sustained buoyancy in the notebook market, which continues to drive intense vendor competition and stimulate demand across the EMEA region, despite global economic pressure and rising energy costs which have increasingly affected country economies during the quarter. Notebook demand continued unabated across the region and the major vendors' results in the desktop space, albeit moderate, show that commercial replacements have also continued to take place.

Demand for notebooks remained very strong in Western Europe, in particular in the consumer space with year-on-year growth of 60%, driven by fierce vendor competition, buoyant marketing activity in the retail channel, and a strong euro that helped vendors drive aggressive pricing. But this quarter also benefited from the additional momentum created by the arrival of low-cost ultra-portables, which boosted consumer notebook growth and propelled Asus into fifth position in the overall EMEA ranking this quarter.

"Despite a challenging overall economic environment that has raised concerns throughout the second quarter and on the evolution of spending trends for the rest of the year, the PC market continued to demonstrate strength, as shown in this quarter's results, and several factors inherent in the market itself lead us to remain optimistic for 2H08," said Karine Paoli, associate vice president for IDC's EMEA Personal Computing research. "Businesses may exert spending caution, but replacement activity will continue to take place, and the development of lower-cost offerings, with a plethora of products planned to hit the retail shelves in 2H08, will support

continued traction in the consumer space and drive buoyancy in the back-to-school and Christmas season again this year."

The receptiveness of the market to lower-cost or "basic" ultra-portables underlines the current evolution of the market, meeting the demand for lower-priced as well as smaller portable devices, with easier functionalities than a full Windows-based computer. The hype around low-cost ultra-portables seems to be tainted by some customers' disappointment with the specifications, but those products will undoubtedly assist further market commoditization and multi-equipment trends. Representing the first "affordable ultra-portables," they are likely to add pressure overall, including on the traditional ultra-portable segment.

"A range of new low-cost ultra-portables with improved specifications is lined up to hit the shelves for the all-important back-to-school season, which will provide an additional boost in the consumer notebook space in 2H08. In addition, fierce competition will contribute to rising pricing pressure, with consumers benefiting from deals involving free hardware bundles with mobile broadband subscription. As a next step, low-cost ultra-portables, complemented by dedicated software, are likely to appear increasingly in the education sector as well as in the SMB space going forward," said Eszter Morvay, senior research analyst for IDC's EMEA PC tracker.

The continued strength and expansion of the notebook market also fueled growth in the CEMA region, with notebooks reaching over 80% growth in CEE and close to 60% in MEA, in line with forecasts, and they will remain a key engine of growth over the coming quarters.

"The CEE and MEA regions recorded healthy growth year on year in both the desktop and notebook markets, with 4.3% and 72.3% respectively as a combined region. Notebooks continued to perform outstandingly, driven by consumer spending, fueled also by ultra-low-cost machines that have begun to ship across both regions, with major success in the largest CEE PC market," said Stefania Lorenz, research director, IDC CEMA Systems. "Desktop growth came in slightly lower than expected due to the clear switch in consumer preferences towards portable machines, and was mostly driven by the commercial and public space. The 'slowdown' in desktop has also been influenced by economic uncertainty in some countries, consequently postponing IT purchasing and affecting the business sectors."

From a competitive environment standpoint, market concentration continued this quarter, with the top 5 representing close to 60% of the entire market, and with most tier 1 vendors again posting solid double-digit trends and making it increasingly challenging for vendors that have not yet reached a large enough scale and/or profitable enough business models.

Vendor Highlights

HP maintained a strong performance in EMEA and continued to drive robust growth at close to 30% across EMEA. The vendor continued to deploy a very aggressive strategy in both the business and consumer markets through effective marketing campaigns in the retail channel and reinforced partner programs in the business space, which supported healthy desktop sales and solid growth, again at close to 60% in the notebook space.

Acer also continued to post strong gains and reinforce its position in EMEA, maintaining pressure and leadership in the notebook market across the region and in particular in Western Europe and Central Eastern Europe thanks to a strong product portfolio, reinforced branding strategy, and aggressive pricing, while the completed integration of Packard Bell also supported significant growth in the consumer desktop market.

Dell also recorded strong results at 27% overall, maintaining a strong position in the business market and benefiting from commercial refresh activity, illustrated by positive growth in its desktop sales. The vendor's presence and stronger push in the retail channel, along with

additional telco deals, continued to support increased visibility and solid gains in the notebook and in particular consumer space, while the vendor maintained solid growth in both CEE and MEA.

Toshiba posted outstanding 72% growth and took fourth position in the overall EMEA ranking thanks to significant gain shares across all three regions. The vendor maintained a strong position in the consumer notebook market in Western Europe and in the SMB market, with healthy sales levels in all major countries, while growth in CEE and MEA again contributed to boost the vendor's overall EMEA performance this quarter.

Asus continued to gain share in EMEA and the success of its Eee PC propelled the Taiwanese vendor into fifth position in the overall EMEA ranking and fourth in the notebook market. Introduced at the end of 2007 in only a few countries, the Eee PC had already gained increasing traction in 1Q but expanded country presence, extensive press coverage, and joint promotion operations with several telco operators led to a boost in volumes in 2Q. The momentum drove increased visibility of the overall brand and product portfolio and supported strong sales of its traditional notebook offering.

Although pushed into sixth position, **Lenovo** maintained a strong performance at 26% across EMEA. Still primarily focused on the commercial market, the vendor continued to maintain a strong position in the enterprise and SMB markets with healthy performance across both commercial desktop and notebook markets.

Fujitsu Siemens was not able to sustain the healthy results recorded in 1Q and was pushed into seventh position. The vendor maintained leadership in the German market but increasing competition in Western Europe and Central Eastern Europe from all parts led to slower performance this quarter.

Top 5 Vendors: Europe, Middle East, and Africa (EMEA) PC Shipments* 2Q08 (Preliminary) (000 Units)

Vendor	2Q07	2Q08	Share 2Q07	Share 2Q08	2Q08/2Q07 Growth
Hewlett-Packard	3,307	4,267	18.8%	19.4%	29.0%
Acer (1)	2,110	3,440	12.0%	15.7%	63.0%
Dell	2,145	2,727	12.2%	12.4%	27.1%
Toshiba	800	1,376	4.5%	6.3%	72.0%
Asus	497	1,315	2.8%	6.0%	164.3%
Others	8,765	8,821	49.7%	40.2%	0.6%
Total	17,624	21,945	100%	100%	24.5%
<i>Acer/Gateway/ Packard Bell (2)</i>	2,502	3,440	14.2%	15.7%	37.5%

Source: IDC EMEA Quarterly PC Tracker, Preliminary Results, 2Q08, July 17, 2008

*PC shipments = desktop and notebooks.

(1) Acer shipments in 2Q08 include Acer, Gateway, and Packard Bell brands, following the recent acquisition by Acer of Gateway and Packard Bell.

(2) Acer, Gateway/eMachines, and Packard Bell shipments for 2Q07 are aggregated in the additional row to allow easier year-on-year comparison. However, this is provided solely for comparison purposes, as the three companies were separate entities prior to the acquisitions.

Shipments are branded shipments for all form factors (including desktop and notebooks) and exclude x86 servers as well as OEM sales for all vendors. Data for all vendors is reported for calendar periods.

For more information on IDC's EMEA Quarterly PC Tracker or other IDC personal computing research services, contact Associate Vice President Karine Paoli, +44 (0) 20 8987 7218, or email kpaoli@idc.com. Alternatively, contact your local IDC office or visit www.idc.com.

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