IDC - Press Release

PC Market Continues Rapid Growth In Fourth Quarter of 2005 as Annual Shipments Reach New Highs, According to IDC

18 Jan 2006

FRAMINGHAM, Mass., January 18, 2006 – The PC market continued to expand at an impressive rate in the fourth quarter of 2005 with worldwide shipments increasing by more than 17% year on year, according to IDC's Worldwide Quarterly PC Tracker. Although shipments in North America were incrementally behind forecasts, international markets were able to pick up the slack to produce the third consecutive quarter of growth greater than 17%. Portable PC demand also remained a major driver that should contribute to revenue as well as shipment growth. Fourth quarter shipments of 61.1 million were up 17.1% boosting full year shipments to 208.6 million with growth of 16.4%. The figures were slightly ahead of November projections of 15.1% growth in Q4 and 15.8% for the year.

"Despite market concern for consumer spending, fourth quarter demand remained strong with most regions coming in ahead of expectations," said Loren Loverde, director of IDC's Worldwide Quarterly PC Tracker. "Although growth has declined slightly from the second and third quarters, the market's resilience in the face of rising interest rates, high fuel prices, a weaker Euro, and other potential inhibitors puts the market in a great position to start 2006."

"The market continues a fundamental shift toward mobile computing that is contributing significantly to top-line growth," said David Daoud, research manager Personal Computing and PC Tracker Programs "Portable PCs are expected to capture a record 38% of Client PC shipments in the United States this quarter, while incentive strategies for Desktops based on low prices alone may have reached their limits. Still, there were ample opportunities in the fourth quarter for vendors who offered desktops as home digital appliances, a trend we anticipate could reignite the desktop market in 2006 and 2007 with the launch of Microsoft Vista, Intel's Viiv, and PC vendors' expected endorsement of these initiatives."

Regional Outlook

- **United States** – Demand for Portable PCs continued to drive solid growth in the U.S. market during the fourth quarter. Consumer demand remained strong despite competition from other electronics and concerns that hurricane damage as well as rising interest rates and fuel prices would reduce spending. In fact, demand for desktops was relatively slow as buyers preferred portable systems despite their higher cost.

- **EMEA** – The EMEA market turned in another outstanding performance during the final quarter of the year with strong retail sales and a particularly strong December. Portable adoption remained a key factor throughout the region while business investment also contributed significantly to growth within CEMA.

- **Japan** – Persistent consumer demand helped sustain momentum in the Japanese market. Overall growth declined slightly from the double-digit rates in the second and third quarters as expected but remained in high single-digits.

- **Asia/Pacific (excluding Japan)** – PC shipments in the APeJ region continued to expand at a rapid pace in the fourth quarter. A slowdown in commercial growth in India was only a small blemish on the region's performance as steady growth in China and South Korea as well as strong portable adoption in many countries highlighted solid demand throughout the region.

Vendor Highlights

- **Dell** – Dell remained the top PC vendor and boosted its share of shipments to 17.2% from 16.8% a year ago with year-on-year growth of more than 20%. The company had strong growth across regions and form factors with particularly rapid growth in EMEA, Asia/Pacific, and Latin America driving overall international growth above 37% year on year and growth of more than 50% in worldwide Portable PC shipments.

- **HP** – HP also had a solid quarter with 15.7% of worldwide shipments and growth of 15.8% year on year. Growth in EMEA accelerated to almost 25% in 4Q05 from single-digits in the first quarter while operations in Asia/Pacific (excluding Japan) continued to expand at more than 30% year on year.

- **Lenovo** – Lenovo continues to gain momentum as it tunes its operations following the acquisition of IBM's PC business. Worldwide shipment growth stabilized at nearly 13% vs. combined Lenovo and IBM PC shipments in the fourth quarter with growth of 30% in Asia/Pacific (excluding Japan) boosting the region to roughly 55% of shipments.

- **Acer** – Acer maintained growth of more than 50% for the third consecutive quarter with strong international gains and a growing presence in the Americas. Nevertheless, growth declined from prior quarters as competitors offered competitively priced systems.

- **Fujitsu/Fujitsu Siemens** – Another strong quarter in EMEA and improving growth in Japan helped build momentum for Fujitsu Seimens. The fourth quarter marked the fifth consecutive period that the company has improved year-on-year growth.

- **Gateway** – Gateway delivered a third quarter of healthy growth with gains in the United States helping worldwide volume keep pace with market growth. Although the 16% year-on-year increase declined notably from the high 20% range of recent quarters, this may reflect channel inventory management with new distribution partners.

- **Apple** – Apple continued to grow in double-digits, but growth slowed notably from recent quarters. The buzz over it's media business continues to generate significant attention for Apple platforms and while the recent announcement of Intel based systems should contribute to interest in Apple's systems, they may have contributed to slower growth in the fourth quarter.

Top 5 Vendors, Worldwide PC Shipments, Fourth Quarter 2005 (Preliminary) (Units Shipments are in thousands)

4Q05 Rank	Vendor	4Q05 Shipments	Market Share	4Q04 Shipments	Market Share	Growth 2005/2004
1	Dell	10,539	17.2%	8,774	16.8%	20.1%
2	HP	9,564	15.7%	8,257	15.8%	15.8%
3	Lenovo	4,414	7.2%	1,257	2.4%	251.3%
4	Acer	3,302	5.4%	2,165	4.1%	52.5%
5	Fujitsu/Fujitsu Siemens	2,535	4.1%	2,058	3.9%	23.2%
	Others	30,745	50.3%	29,675	56.9%	3.6%
	All Vendors	**61,100**	**100.0%**	**52,186**	**100.0%**	**17.1%**
3	Lenovo (Merged)	4,414	7.2%	3,919	7.5%	12.6%

Notes:

- Shipments include shipments to distribution channels or end users. OEM sales are counted under the vendor/brand under which they are sold.
- PCs include Desktop, Notebook, Ultra Portable, and x86 Servers.
- PCs do not include handhelds. Data for all vendors are reported for calendar periods.
- Data for Lenovo includes shipments for IBM PCD (including Desktop and Portable PCs and excluding x86 Servers and Personal Workstations) starting in 2Q05, and only Lenovo data for prior quarters. This reflects the legal status of the companies, which merged during the second quarter of 2005.

Source: IDC, January 18, 2006

Top 5 Vendors, U.S. PC Shipments, Fourth Quarter 2005 (Preliminary) (Units Shipments are in thousands)

4Q05 Rank	Vendor	4Q05 Shipments	Market Share	4Q04 Shipments	Market Share	Growth 2005/2004
1	Dell	5,741	32.9%	5,287	32.9%	8.6%
2	HP	3,545	20.3%	3,323	20.7%	6.7%
3	Gateway (a)	1,184	6.8%	1,025	6.4%	15.5%
4	Lenovo	711	4.1%	0	0.0%	N/A
5	Toshiba (b)	635	3.6%	577	3.6%	9.9%
	Others	5,639	32.3%	5,845	36.4%	-3.5%
	All Vendors	**17,455**	**100.0%**	**16,057**	**100.0%**	**8.7%**
4	Lenovo (Merged)	711	4.1%	684	4.3%	3.9%

Notes:

(a) IDC estimates prior to Gateway's financial earnings report.

(b) Toshiba U.S. shipments based on IDC estimates.

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- Data for Lenovo includes shipments for IBM PCD (including Desktop and Portable PCs and excluding x86 Servers and Personal Workstations) starting in Q2 2005, and only Lenovo data for prior quarters. This reflects the legal status of the companies, which merged during the second quarter of 2005.

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Top 5 Vendors, Worldwide PC Shipments, 2005 Annual (Preliminary) (Units Shipments are in thousands)

2005 Rank	Vendor	2005 Shipments	Market Share	2004 Shipments	Market Share	Growth 2005/2004
1	Dell	37,732	18.1%	31,769	17.7%	18.8%
2	HP	32,525	15.6%	28,101	15.7%	15.7%
3	Lenovo	12,995	6.2%	4,183	2.3%	210.7%
4	Acer	9,803	4.7%	6,368	3.6%	53.9%
5	Fujitsu/Fujitsu Siemens	8,489	4.1%	7,187	4.0%	18.1%
	Others	107,041	51.3%	101,573	56.7%	5.4%
	All Vendors	**208,586**	**100.0%**	**179,181**	**100.0%**	**16.4%**
3	Lenovo (Merged)	12,995	6.2%	13,690	7.6%	-5.1%

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Top 5 Vendors, U.S. PC Shipments, 2005 Annual (Preliminary) (Units Shipments are in thousands)

2005 Rank	Vendor	2005 Shipments	Market Share	2004 Shipments	Market Share	Growth 2005/2004
1	Dell	21,466	33.5%	19,296	33.1%	11.2%
2	HP	12,452	19.4%	11,602	19.9%	7.3%
3	Gateway (a)	3,924	6.1%	2,950	5.1%	33.0%
4	Apple	2,554	4.0%	1,935	3.3%	32.0%
5	Toshiba (b)	2,260	3.5%	1,862	3.2%	21.4%
6	Lenovo	2,075	3.2%	0	0.0%	N/A
	Others	19,357	30.2%	20,640	35.4%	-6.2%
	All Vendors	**64,089**	**100.0%**	**58,285**	**100.0%**	**10.0%**
3	Gateway (Merged) (a)	3,924	6.1%	3,608	6.2%	8.8%
4	Lenovo (Merged)	2,630	4.1%	2,597	4.5%	1.3%

Notes:

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IDC's Worldwide Quarterly PC Tracker gathers PC market data in 55 countries by vendor, form factor, brand, processor brand and speed, sales channel and user segment. The research includes historical and forecast trend analysis as well as price band and installed base data.

For more information, or to subscribe to IDC's Worldwide Quarterly PC Tracker, please contact Kathy Nagamine at 650-350-6423 or knagamine@idc.com. You may also contact IDC's sales hotline at 508-988-7988 or email sales@idc.com.

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