Lenovo Profits Rise 30% on Smartphone Growth

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BEIJING (AP) — Computer maker Lenovo Group reported Thursday that quarterly profit rose 30 percent to a record high on strong smartphone sales and said its acquisition of the Motorola Mobility smartphone business will accelerate its global expansion.

Profit for the three months ended Dec. 31 was $265 million, or $2.52 per share, the company said. Quarterly revenue topped $10 billion for the first time, rising 15 percent to $10.8 billion.

Sales of smartphones and other mobile devices rose 73 percent to $1.7 billion. Sales of laptop computers that supply half the company's revenue rose 11 percent to $5.4 billion while sales of desktop PCs rose 12 percent to $3.2 billion.

Lenovo is expanding aggressively into mobile technology as consumers shift to going online wirelessly and demand in its traditional PC market cools.

Lenovo, based in Beijing and in Research Triangle Park, North Carolina, expanded its product line and global market presence by acquiring part of IBM Corp.'s server business in January for $2.3 billion. A week later, it bought the Motorola Mobility smartphone business from Google Inc. for $2.9 billion.

"Today the Lenovo smartphone business is profitable but we don't make a lot of money. So with the acquisition of Motorola Mobility, we become a global brand," said chairman Yang Yuanqing in a conference call with reporters.

The Motorola acquisition will lift Lenovo from No. 4 among global smartphone makers to No. 3, according to Yang.

Yang said Lenovo has plans to return the Motorola business to profitability. He said

increased economies of scale from combining it with Lenovo's existing smartphone business also will help to cut costs.

"We can not just help the Motorola business to grow and improve profitability, but also it will help us to strengthen our position in China," he said.

Lenovo has said it expects mobile technology to supply the bulk of its revenue in coming years.

Revenue in Lenovo's home China market was flat at $4 billion, which the company said reflected a slowdown in the local PC market, where Lenovo is the biggest-selling brand.

Sales in the rest of the Asia-Pacific region rose 22 percent to $1.6 billion and in Europe, the Middle East and Africa by 25 percent to $2.9 billion. Revenue in the Americas rose 36 percent to $2.3 billion.

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