

LENOVO OUTPERFORMS MARKET IN 4TH QUARTER AND FULL YEAR 2013/14

Strong growth in the PC and Tablet category drives record setting year

- Full year volume records: 55 million PCs, 50 million smartphones and 9.2 million tablets
- Record annual Revenue: US\$38.7 billion, up 14%
- Record Full Year Pre Tax Income: US\$1.01 billion, up 27%, 1st time surpassing US\$1 billion
- Record Full Year Earnings: US\$817 million, up 29%
- Full year basic EPS of 7.88 US cents, or 61.13 HK cents
- Net cash reserves of US\$3.5 billion (as of March 31, 2014)

HONG KONG, May 21, 2014 – Lenovo Group today announced results for its fourth fiscal quarter and full-year ended March 31, 2014. With record full-year revenue of US\$38.7 billion, an increase of 14 percent year-over-year, a record full-year pre-tax income of US\$1.01 billion, up 27 percent year-over-year and record full year earnings of US\$817 million, up 29 percent, Lenovo had a truly outstanding year.

Lenovo expanded its number one position in PCs, adding 2.1 points of market share to post a record 17.7 percent total share for the full-year, representing five percent year-over-year growth, compared to an overall industry decline of 8 percent during this same period. Even while China's PC market slowed, Lenovo's operating profit in China PC improved by 1 percentage point. Asia Pacific had record share of almost 15 percent, while improving profitability. For the first time, Lenovo's EMEA revenue surpassed its China PC revenue in the quarter, while in the US, Lenovo surpassed Apple to take the number three position in PC shipments in the fourth quarter. With 20 consecutive quarters of outgrowing the PC market, Lenovo continued to show it can post rapid growth in absolute shipment and in relative market share metrics, even in difficult markets.

When combining Tablets and PCs together to form the "PC + Tablet" category, Lenovo sold a record 64 million devices, up nearly 18 percent year over year, outpacing this market by more than 13 percentage points. Lenovo posted record total device volume of 114 million, up 37 percent year over year. This was the 4th quarter in a row that Lenovo sold more tablets and smartphones than PCs. These facts illustrate Lenovo's transformation as a leader in Smart Connected Devices.

"The record sales and profits that we delivered last year prove that Lenovo can grow and deliver its commitments, no matter the market conditions," said Yuanqing Yang, Lenovo Chairman and CEO. "Not only did we strengthen our leading position in PCs, but we gained three points in tablets by quadrupling sales volume and became the fastest growing major smartphone company in the world. This demonstrates our capability to manage both businesses that are already mature, as well as those that are shifting to maturity. Meanwhile, we are building new engines for growth in the enterprise and ecosystem. Through the combination of our existing and new businesses, Lenovo offers tremendous value to shareholders today, and our value will be even greater in the future."

Gross profit for the full year was US\$5.06 billion, an increase of 14 percent year-over-year. Gross margin was 13.1 percent, while operating profit for the full fiscal year was US\$ 1.05 billion, a 32 percent increase year-over-year.

Lenovo had strong fourth quarter revenue of US\$9.4 billion, up 19 percent year-over-year. The Company achieved pre-tax income of US\$212 million during the fourth fiscal quarter, a 28 percent increase over the same period last year. The Company's gross profit for the fourth fiscal quarter grew to US\$1.24 billion, an increase of 18 percent year-over-year. Gross margin was 13.3 percent. Operating profit for the fourth quarter was US\$231 million, up 37 percent year-over-year, while earnings grew 25 percent year-over-year to US\$158 million. Compared to an overall PC

industry decline of 4.6 percent year-over-year in the fourth fiscal quarter, Lenovo grew shipments at a 15 point premium to the market.

Basic earnings per share in the fourth fiscal quarter was 1.53 US cents, or 11.87 HK cents. Lenovo's Board of Directors declared a final dividend of 2.32 US cents, or 18 HK cents per share for the fiscal year ended March 31, 2014.

GEOGRAPHIC OVERVIEW

- **Lenovo China** improved its fourth quarter operating margin by 0.8 points to 5.5 percent. With US\$3.1 billion in consolidated sales in the fourth fiscal quarter, China accounted for 33 percent of the Company's worldwide sales. Lenovo protected its PC leadership with 32.6 percent share, with PC margins improving 1.1 points with stabilizing shipments and increased average sales price. China continues to invest in the push into Smart Connected Devices to capture opportunities from 4G and Smart TVs.
- In the **Asia Pacific** region, Lenovo achieved 15.6 percent PC market share in the fourth fiscal quarter, up 2.1 points year-over-year. While the regional PC market improved, only down slightly at 1.5 percent year-over-year, the Company grew its PC shipments across the region by 14 percent. Lenovo remained number one in Japan with tremendous shipment growth of 35 percent. Consolidated sales across the region totaled US\$1.7 billion or 19 percent of Lenovo's worldwide sales, while operating margins went up 1.3 points to 2.7 percent.
- Lenovo in **Europe, Middle East & Africa** grew PC shipments during the fourth quarter by 33.3 percent and building even stronger momentum across the region. EMEA achieved a 15.8 percent market share, increasing shipments 4 share points year-over-year or a nearly 34 point premium to the market. The region had consolidated sales in the fourth quarter of US\$2.6 billion, a year-over-year improvement of 39 percent, good for 27 percent of Lenovo's total worldwide sales. Operating profit margin was healthy at 2.9 percent, 1.0 point increase year-over-year.
- Lenovo's PC shipments in **the Americas** in the fourth fiscal quarter increased 18 percent year-over-year, in a market that fell by about 8 percent. In this environment, the Company gained 2.5 share points to a record high market share of 11.4 percent. Consolidated sales grew 23 percent year-over-year to approximately US\$2 billion in the fourth quarter, driven by strong growth across all products. This represented 21 percent of Lenovo's total worldwide sales. In the US, during the fourth quarter, Lenovo surpassed Apple in PC units, while achieving the number 3 position for the first time in this critical market with record share at 10.8 percent. The Company continued to invest in its fast growing Brazil and Latin America businesses.

PRODUCT OVERVIEW

- Consolidated sales for Lenovo's **laptop PC business** worldwide in the fourth fiscal quarter increased 16 percent year-over-year to US\$4.8 billion, accounting for 51 percent of the Company's overall sales. During the same period, Lenovo's worldwide laptop PC shipments increased 12.9 percent, against the backdrop of an overall industry decrease of 5.8 percent. In the fourth fiscal quarter, Lenovo announced its newest version of the popular ThinkPad X1 Carbon, the world's lightest 14-inch ultrabook. Forged from the same strong but light stock as aircraft and racing cars, the X1 Carbon's carbon fiber casing weighs less than magnesium or aluminum, but is stronger than both. The Company also announced the ThinkPad 11e series of laptops, designed specifically for education and ruggedized for K-12 classroom performance.
- During the fourth fiscal quarter, Lenovo's **desktop PC** shipment grew 6.8 percent worldwide year-over-year, against an industry decline of 3.1 percent worldwide. Lenovo's desktop PC

consolidated sales for the same period increased 14 percent to US\$2.7 billion, or 29 percent of the Company's overall sales worldwide. In the fourth fiscal quarter, Lenovo announced the C560 all-in-one (AIO) desktop PC, a family-friendly large-screen, multitouch home PC that doubles down on work and play, as well as the ThinkVision Pro2840m, a feature-packed, 28-inch, 4K professional resolution display and the ThinkVision 28, a smart display that is not only an ultra-high definition monitor but is also an Android-enabled entertainment center.

- Lenovo had solid shipments of smartphones, staying China's number two smartphone maker, with rapid growth across all its **Mobile Internet and Digital Home (MIDH)** product lines. During the fourth fiscal quarter, consolidated sales of MIDH rose 71 percent to US\$1.3 billion year over year, or 13 percent of the Company's overall sales. The Company's worldwide smartphone shipments grew 59.4 percent in the fourth quarter, outpacing the worldwide market by 28 percent. The Company also outgrew the market in China as it worked to capture 4G/LTE opportunities by expanding its own Lenovo App store ecosystem. So far the store has delivered 6 billion downloads. It is averaging 25 million downloads daily. Lenovo's own SHAREit App won the Mobile World Congress award for best app and was the first app developed by Lenovo to reach 100 million users.

In the fourth fiscal quarter, Lenovo introduced several smartphones, including its first LTE smartphone, the Lenovo Vibe Z, a razor-thin, blazing fast device equipped with gesture controls, photo enhancement software and other premium technologies. The Company also announced the new Yoga Tablet 10-inch HD+, a multimode device that infuses Lenovo's original Yoga tablet with a full HD screen, Qualcomm Snapdragon processor, sharp high-resolution camera and its incredible battery life of up to approximately 18 hours under certain conditions.

ABOUT LENOVO

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$39 billion personal technology company, the largest PC company in the world, serving customers in more than 160 countries. Dedicated to building exceptionally engineered PCs and mobile internet devices, Lenovo's business is built on product innovation, a highly-efficient global supply chain and strong strategic execution. Formed by Lenovo Group's acquisition of the former IBM Personal Computing Division, the company develops, manufactures and markets reliable, high-quality, secure and easy-to-use technology products and services. Its product lines include legendary Think-branded commercial PCs and Idea-branded consumer PCs, as well as servers, workstations, and a family of mobile internet devices, including tablets and smartphones. As a global Fortune 500 company, Lenovo has major research centers in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; Sao Paulo, Brazil, and Raleigh, North Carolina. For more information see www.lenovo.com.

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LENOVO GROUP
FINANCIAL SUMMARY
For the fiscal quarter and full year ended March 31, 2014
(in US\$ millions, except per share data)

	Q4 13/14	Q4 12/13	Y/Y CHG	FY13/14	Y/Y CHG
Revenue	9,357	7,832	19%	38,707	14%
Gross profit	1,244	1,052	18%	5,064	14%
Gross profit margin	13.3%	13.4%	-0.1pts	13.1%	NIL
Operating expenses	(1,013)	(883)	15%	(4,012)	11%
Expenses-to-revenue ratio	10.8%	11.3%	-0.5pts	10.4%	-0.3pts
Operating profit	231	169	37%	1,052	32%
Other non-operating expenses	(19)	(3)	503%	(38)	NA
Pre-tax income	212	166	28%	1,014	27%
Taxation	(44)	(42)	7%	(197)	16%
Profit for the period	168	124	35%	817	29%
Non-controlling interests	(10)	3	NA	-	NA
Profit attributable to equity holders	158	127	25%	817	29%
EPS (US cents)					
Basic	1.53	1.22	0.31	7.88	1.72
Diluted	1.51	1.20	0.31	7.78	1.71
Dividend per share (HK cents)				24	5.5