



## LENOVO POSTS SECOND QUARTER 2014/15 RESULTS

### *Leveraging innovation and execution strengths delivers share gains and margin improvements*

- Pre-tax income of US\$329 million, earnings of US\$262 million and US\$10.5 billion in revenue make for solid quarter with balanced geographical growth
- Achieved record high PC market share of nearly 20 percent; became #1 in the PC+Tablet category
- Sold a record 35.6 million smartphones, PCs and tablets, almost 5 devices per second
- Basic EPS of 2.52 US cents, or 19.54 HK cents
- Net cash reserves of US\$3.2 billion (as of September 30, 2014)

**HONG KONG, November 6, 2014** – Lenovo Group today announced results for its second fiscal quarter ended September 30, 2014. Quarterly revenue was US\$10.5 billion, a 7 percent increase year-over-year. Second quarter profit grew even faster with pre-tax income increasing 24 percent year-over-year to US\$329 million, while earnings grew 19 percent year-over-year to US\$262 million. Lenovo's execution focus and innovative products drove a record high of 35.6 million smartphones, PCs and tablets shipped globally.

With a consistent, effective game plan, the Company continues to deliver market share and profit improvements, while investing in the future. In the last two years, Lenovo has built leading global businesses in mobile and enterprise devices and laid the groundwork to rapidly accelerate its Ecosystem and Cloud Business. Today, these three businesses total 15 percent of Lenovo's total revenue, up from 4 percent three years ago. Enterprise, which saw the launch of a new lineup of next generation ThinkServer products in September, is growing rapidly, with 35 percent year-over-year volume growth, while daily downloads on Lenovo App Store are now over 30 million, more than double one year ago.

"Lenovo had another strong quarter that saw excellent market share gains and profit expansion. Not only did we reach nearly 20 percent share in PCs, but we became #1 in the broader PC+ tablet market for the first time. In May, we set this as a two year goal, but achieved it in two quarters," said Yuanqing Yang, chairman and CEO of Lenovo. "And in the last month, we successfully closed both our Motorola Mobility and IBM x86 acquisitions. With these two deals, we are now #3 in both businesses, but we are not satisfied. We will replicate our success in PCs by outgrowing the market to challenge the top two. Mobile and Enterprise are now our new growth engines, and over time, like PCs, they will become our profit pool as well."

Further illustrating the evolving nature of its business is performance across smartphones, tablets and PCs. Lenovo became the number one PC+Tablet vendor for the first time ever, with 14.1 percent market share, up 1.2 percent year over year, a significant milestone that it met six quarters ahead of target. Making this possible was 3 million global tablet shipments, up 30.6 percent year-over-year, driven by sales outside China and strong performance in PCs, where for the sixth straight quarter Lenovo was the world's largest PC vendor\*. It had its highest-ever quarterly market share of 19.7 percent up 2.1 points year-over-year. Finally, Lenovo expanded smartphone shipments 38 percent year-over-year remaining #4 at the end of the quarter, although with the close of its Motorola investment last week, has secured the #3 position.

The Company's gross profit for the second fiscal quarter increased 15 percent year-over-year to US\$1.46 billion, with gross margin at 13.9 percent. Operating profit for the quarter grew 29 percent year-over-year to US\$365 million. Basic earnings per share for the second fiscal quarter was 2.52 US cents, or 19.54 HK cents. Net cash reserves as of September 30, 2014, totaled US\$3.2 billion. Lenovo's Board of Directors declared an interim dividend of 6 HK cents per share.

### **GEOGRAPHIC OVERVIEW**

Lenovo's **China geography** totaled US\$3.8 billion in revenue in the second fiscal quarter, a decrease of 2 percent year-over-year, which accounted for 36 percent of the Company's worldwide revenue, while overall margin improved by 0.5pts year-over-year to 5.8 percent. During the second quarter, Lenovo protected its PC leadership with 37 percent share and drove its PC segment operating margin to 7 percent. Lenovo continues to invest in 4G and is broadening routes to market to enhance competitiveness in smartphones.

In the **Asia Pacific geography**, Lenovo's revenue totaled US\$1.6 billion for the second quarter, or 15 percent of the Company's worldwide revenue, up 3 percent year-over-year, with record high operating margin of 4.4 percent, up 2.7pts year-over-year and record high PC market share at 16.0 percent, up 1.5pts year-over-year. Strong volumes in smartphone shipments were seen across the ASEAN region.

Lenovo's revenue in the **Europe/Middle East/Africa (EMEA) geography** during the second fiscal quarter continued its rapid growth, up US\$753 million, a 33 percent increase, to reach US\$3 billion. This success drove a record setting contribution to Lenovo's worldwide revenue of 29 percent. During the quarter, Lenovo had record PC market share of 19.3 percent in EMEA up nearly 44 percent. Lenovo achieved the #1 position in PC across 16 EMEA countries, strengthening its #2 position in the EMEA PC market.

The **Americas geography** revenue was US\$2.1 billion for the second fiscal quarter, flat year-over-year, comprising 20 percent of the Company's worldwide revenue. The Americas geography saw PC market share of 11.3 percent. Here Lenovo remained in the number three position. The North America region saw strong revenue and shipment growth and solid profit improvements, while the Company is taking action to battle a challenging macro environment Brazil.

## PRODUCT OVERVIEW

During the second fiscal quarter, Lenovo's **Laptop PC** sales at US\$5.5 billion were the largest contributor to the Company's revenue worldwide, generating 52 percent of Lenovo's total revenue. Across the industry, laptop shipments were up 0.9 percent year over year, a marked improvement over the 12 percent decline one year ago. The Company gained 2.5 share points and achieved a market share of 21 percent. In the second fiscal quarter, Lenovo announced its newest edition of the popular ThinkPad Helix, an unmatched business two-in-one Ultrabook. The new ThinkPad Helix weighs only 2.98 pounds, and measures just 0.38 inches thick, 15 percent thinner than its predecessor.

Lenovo's **Desktop PC** shipments grew 6.4 percent worldwide year-over-year during the second fiscal quarter, compared to an overall industry decrease of 2.3 percent. As a result, Lenovo gained 1.5 share points year-over-year and achieved a market share of 18 percent. Consolidated sales of Lenovo desktop PCs in the second quarter increased 11 percent year-over-year to US\$3 billion, or 29 percent of the Company's total revenue. In the second fiscal quarter, Lenovo announced new thinner and lighter HORIZON tabletop PCs at just 0.59 inches thick and weighing just over five pounds. The HORIZON 2S model shaves ten pounds off the original HORIZON 2, making it easier to carry from room-to-room or even outside the home.

Consolidated sales of Lenovo's **Mobile Devices\*\***, including smartphones and tablets decreased 6 percent year-over-year during the second fiscal quarter to US\$1.4 billion, representing 13 percent of the Company's total revenue during the quarter. It had record worldwide smartphone shipments, up 38 percent, driven by sales in more than 45 markets. In China, the smartphone business remained robust, while demand outside China was even stronger. India / Southeast Asia, Russia / EMEA emerging, and Latin America were all stars, with respective unit growth of about 120 percent, 400 percent, and 150 percent.

At the 2014 IFA Consumer Electronics show in Berlin, Lenovo introduced its latest smartphones: the new VIBE X2 with a unique tri-layered design, the new VIBE Z2 with sleek trend-setting design, enhanced performance and professional-grade photography features. Also at IFA, Lenovo introduced a new tablet, the TAB S8, Lenovo's first 8-inch Android tablet powered by an Intel processor. The TAB S8 is just 0.65 pounds and 0.31 inches thin, nearly as thin as a standard pencil.

\*see Gartner and IDC data 3Q 2014

\*\* Previously, these revenues were reported under Mobile Internet and Digital Home (MIDH), but now they were reported under the "Mobile Devices" heading.

## ABOUT LENOVO

Lenovo (HKSE: 992) (ADR: LNVGY) is a \$39 billion global Fortune 500 company and a leader in providing innovative consumer, commercial, and enterprise technology. Our portfolio of high-quality, secure products and services covers PCs (including the legendary Think and multimode YOGA brands), workstations, servers, storage, smart TVs and a family of mobile products like smartphones (including the Motorola brand), tablets and apps. Join us on [LinkedIn](#), follow us on [Facebook](#) or Twitter ([@Lenovo](#)) or visit us at [www.lenovo.com](http://www.lenovo.com).

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