

Press Release



Lenovo Delivers Solid Fourth Quarter and Full Year 2014/15 Results

PC business delivering strong profit growth; newly acquired businesses show solid improvement

- Record full year revenue: US\$46.3 billion, up 20 percent
- Pre-tax income before non-cash, M&A-related accounting charges* of US\$1.14 billion and pre-tax income of US\$971 million for the full year
- Net income before non-cash, M&A-related accounting charges* of US\$997 million and net income of US\$829 million for the full year
- PC business saw record annual shipments and share with pre-tax income margin of 5.3 percent
- Better balance: 63 percent of fourth quarter revenue now from PCs, 25 percent from Mobile and nine percent from Enterprise vs. prior year when PCs were 83 percent
- Full year volume records: 60 million PCs – eight quarters as #1; 76million smartphones and global #3; 12 million tablets with continued organic growth and 600K servers at global #3 **
- Full year basic EPS of 7.77 US cents, or 60.25 HK cents

HONG KONG, May 21, 2015 – Lenovo Group today announced results for its fourth fiscal quarter and full-year ended March 31, 2015. In a seasonally slow quarter with significant currency impacts, revenue was US\$11.3 billion, up 21 percent year-over-year. If excluding the exchange rate impact, the growth rate would be 28 percent. Lenovo's operational excellence delivered expectation-beating quarterly net income of US\$100 million, even after US\$94 million non-cash M&A related accounting charges.

The M&A investments and strong organic growth created a more diverse business for Lenovo with smartphones, tablets, servers and other services contributing 37 percent of revenues in the quarter compared to 17 percent the year before. At the same time, Lenovo continued to deliver exceptional performance in PCs this year with a record 60 million shipments, and strong profitability, all while maintaining its number one position in the market for the eighth consecutive quarter.

"Lenovo continues to deliver strong and balanced performance. Building on our newly acquired businesses and consistent organic growth of our core operations, three growth engines have been formed. While our Mobile Business Group and Enterprise Businesses Group grew rapidly, our PC business delivered even stronger results, with record market share and increased profitability. The integrations of Motorola Mobility and System x businesses are on track and realizing good growth momentum, although further time will be required to develop them before they become core businesses like PCs," said **Yang Yuanqing, Lenovo Chairman and CEO**. "In view of the opportunities and challenges of the new Internet+ era, we are ready to transform ourselves from making mostly hardware to a combination of hardware and software services. This will spur a new wave of growth for Lenovo in the coming years."

For the full year, Lenovo had record revenue of US\$46.3 billion, up 20 percent year over year. In the same period its pre-tax income before non-cash, M&A-related accounting charges of US\$168 million, was US\$1.14 billion, up 12 percent year over year. Similarly, net income before non-cash, M&A-related accounting charges was US\$997 million, up 22 percent year-over-year. Gross profit for the full year was US\$6.7 billion, an increase of 32 percent year-over-year. Gross margin was

14.4 percent, while operating profit for the full fiscal year was US\$1.1 billion, a five percent increase year-over-year.

The Company's gross profit for the fourth fiscal quarter grew to US\$1.8 billion, an increase of 43 percent. Gross margin was 15.7 percent. Operating profit was US\$127 million, and pre-tax income was US\$104 million during the fourth fiscal quarter.

Basic earnings per share in the fourth fiscal quarter was 0.91 US cents, or 7.06 HK cents. Lenovo's Board of Directors declared a final dividend of 2.64 US cents, or 20.5 HK cents per share for the fiscal year ended March 31, 2015.

Business Group Overview***

In the **PC Group or PCG**, which includes PCs and Windows tablets, Lenovo's quarterly sales were US\$7.2 billion, with pre-tax income of US\$391 million, up 11 percent year-over-year. Pre-tax income margin was 5.5 percent. Lenovo shipped 13.3 million PCs in the quarter, up 2.7 percent year-over-year, for a total market share of 19.5 percent. PCG saw share gain across all geographic regions, with particularly strong performances in Western Europe, the Middle East and Africa.

In the **Mobile Business Group or MBG**, which includes products from the Motorola investment, Lenovo-branded mobile phone business, Android tablets and smart TVs, Lenovo quarterly sales were US\$2.8 billion. In smartphones, Lenovo remained the world's #3 with 18.7 million in Q4 and a record 76 million in FY 2014/15 shipments and increasing balance globally. For the year (which included two quarters of contributions from Motorola), China accounted for 59 percent of Lenovo's smartphone volumes, while markets outside China saw robust 450 percent growth hitting 31 million smartphone devices shipped. In tablets, Lenovo outpaced the market and continued to grow with a total of 12 million units shipped, an increase of 26 percent year-over-year, and 5.1 percent market share. Motorola contributed more than 7.8 million units in the quarter to Lenovo's total, up 23.6 percent year-over-year, while adding US\$1.8 billion to Lenovo's MBG revenues. Motorola also hit a major operational milestone by re-entering China in January and it remains on track to be profitable within 4-6 quarters of close.

In the **Enterprise Business Group or EBG**, which includes servers, storage, software and services sold under both the Lenovo ThinkServer brand and the System x business unit, sales were US\$1.1 billion. In its second full quarter with System x, EBG delivered positive operational pre-tax income, although its standard PTI – which included non-cash, M&A-related accounting charges – was negative US\$45 million. Lenovo continued as #3 in x86 servers, while its ThinkServer brand targeting small and medium sized enterprises saw 49 percent revenue growth year-over-year. EBG remains on track to be a US\$5 billion business within one year of close.

Geographic Overview

Lenovo's **China geography** totaled US\$3.1 billion in revenue in the fourth fiscal quarter, flat year-over-year, which accounted for 27 percent of the Company's worldwide revenue, while operating margin reduced by 1.1 points year-over-year to 4.4 percent. During the fourth quarter, Lenovo protected its PC leadership with 33.6 percent share. Fierce competition in the China mobile phone market continued to pressure Lenovo-branded smartphones, though a transformation plan is in place with aggressive expansion in internet model including ShenQi to sharpen competitiveness.

In the **Asia Pacific geography**, Lenovo's revenue totaled US\$1.7 billion for the fourth quarter, or 15 percent of the Company's worldwide revenue, with operating margin of 4.6 percent, up 1.9



points year-over-year, while PC market share was at 15.7 percent, up 0.2 points year-over-year. Across the region we had strong smartphone shipment growth up 40 percent year-over-year driven by our Motorola investment. In the Enterprise business, the company is leveraging Lenovo's channel expertise and ecosystems to accelerate System x sales.

Even with currency pressures, Lenovo's revenue in the **Europe/Middle East/Africa (EMEA)** geography during the fourth fiscal quarter saw continued growth and increased profitability with revenue up 15 percent to US\$3.0 billion, while margin was 2.7 percent. Powered by strong PC sales in its north and south regions, 240 percent growth in smartphone shipments and an improving enterprise, business, EMEA accounted for 26 percent of Lenovo's worldwide revenue. During the quarter, Lenovo had record PC market share in EMEA of 20.5 percent, up 4.8 points. Lenovo achieved the number 1 position in PCs across 17 EMEA countries.

The **Americas geography** revenue was US\$3.6 billion for the fourth fiscal quarter, up 85 percent year-over-year, comprising 32 percent of the Company's worldwide revenue, mainly due to the inclusion of Motorola and System x in the geography's results. The Americas geography saw record PC market share of 11.7 percent for the full year 2014/15, driven by strong shipments in North America. Lenovo came very close to claiming the third position in the US during the fourth fiscal quarter, only 0.6 points behind the number three. The company continues to take action to address significant challenges in Brazil, which impacted the geography's overall performance.

* These figures are provided for greater transparency and to aid further analysis of the business.

** see IDC data 1Q 2015

*** Until the last quarterly results announcement, the company provided financial breakdowns by product. With the acquisitions of Motorola and System x which closed during Lenovo's FY 14/15 Q3, management believes reporting by business groups best reflects the Company's performance.

About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a \$46 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.

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LENOVO GROUP
FINANCIAL SUMMARY

For the fiscal quarter and full year ended March 31, 2015
(in US\$ millions, except per share data)



	Q4 14/15	Q4 13/14	Y/Y CHG	FY14/15	Y/Y CHG
Revenue	11,334	9,357	21%	46,296	20%
Gross profit	1,779	1,244	43%	6,682	32%
Gross profit margin	15.7%	13.3%	2.4 pts	14.4%	1.3 pts
Operating expenses	(1,652)	(1,013)	63%	(5,574)	39%
Expenses-to-revenue ratio	14.6%	10.8%	3.8 pts	12.0%	1.6 pts
Operating profit	127	231	-45%	1,108	5%
Other non-operating expenses	(23)	(19)	20%	(137)	263%
Pre-tax income	104	212	-51%	971	-4%
Taxation	(7)	(44)	-85%	(134)	-32%
Profit for the period	97	168	-42%	837	2%
Non-controlling interests	3	(10)	NA	(8)	3160%
Profit attributable to equity holders	100	158	-37%	829	1%
EPS (US cents)					
Basic	0.91	1.53	(0.62)	7.77	(0.11)
Diluted	0.90	1.51	(0.61)	7.69	(0.09)
Dividend per share (HK cents)				26.5	10%