

LENOVO DELIVERS STRONG GROWTH AND HITS MILESTONES IN FIRST QUARTER 2014/15

- **Record high PC market share approaching 20% and strong momentum in mobile**
- **Revenue of US\$10.4 billion**
- **Pre-tax income of US\$264 million and earnings of US\$214 million**
- **Basic EPS of 2.06 US cents, or 15.97 HK cents**
- **Net cash reserves of US\$3.58 billion (as of June 30, 2014)**

Hong Kong, August 14, 2014 – Lenovo Group today reported results for its first fiscal quarter ended June 30, 2014, with quarterly revenue of US\$10.4 billion, an 18 percent increase year-over-year while quarter pre-tax income increased 22 percent year-over-year to US\$264 million. Earnings grew 23 percent year-over-year to US\$214 million, while the Company hit market share and financial performance milestones.

Lenovo maintained its number three ranking in smart connected devices growing shipments by 28 percent year-over-year. It has been the world's largest PC maker for five consecutive quarters with its highest-ever quarterly market share of 19.4 percent* up 2.7 points year-over-year, driven by big share gains in EMEA and the Americas. Lenovo's PC shipments for the first fiscal quarter were up 15 percent to 14.5 million units, the 21st quarter in a row that Lenovo outperformed the industry as a whole. In tablets, Lenovo became the 3rd largest vendor with 2.3 million devices shipped, a growth of 67 percent or nearly 8 times the pace of this market. In smartphones, Lenovo sold more smartphones than PCs for the first time ever with record volume of 15.8 million units, up 39 percent. Despite fierce competition in China, Lenovo became the number 1 smartphone vendor in this country with 13 million phones sold.

The Company's gross profit for the first fiscal quarter increased 13 percent year-over-year to US\$1.3 billion, with gross margin at 13 percent. Operating profit for the quarter grew 40 percent year-over-year to US\$283 million. Basic earnings per share for the first fiscal quarter was 2.06 US cents, or 15.97 HK cents. Net cash reserves as of June 30, 2014, totaled US\$3.58 billion.

"This has been a quarter of milestones for Lenovo – record PC share, a number three ranking in worldwide tablets for the first time, and an even stronger number four global smartphone position," said Yuanqing Yang, Chairman and CEO of Lenovo. "As the PC industry recovers, the smartphone market continues its shift from premium to mainstream, and our acquisitions of Motorola Mobility and IBM x86 proceed toward completion, we see even more opportunity to keep growing rapidly. Lenovo continues to outperform the market and meet our commitments to improve profitability in our core businesses, while building strong pillars for future growth across our entire portfolio."

GEOGRAPHIC OVERVIEW

China totaled US\$3.8 billion in revenue in the first fiscal quarter, an increase of 2 percent year-over-year, accounting for 36 percent of the Company's worldwide revenue. Lenovo protected the China profit pool and improved margins there by 0.3 points year-over-year to achieve operating margins of 5.5 percent. Operationally, it strengthened its leadership in PCs with 37.1% share. According to IDC, Lenovo surpassed Samsung to become the largest smartphone maker in the country. In mobile devices, Lenovo continued to improve profitability with broadened routes to market and a greater focus on internet-enabled, open market sales.

In **Europe/Middle East/Africa (EMEA)**, Lenovo had an extremely strong quarter with revenue increasing 49 percent or US\$921 million year-over-year to reach US\$2.8 billion, or 27 percent of Lenovo's first quarter worldwide revenue. EMEA saw record highs in PC share and operating margin, hitting the number one position in notebooks for the first time and achieving a number one position in 15 EMEA countries, while smartphone shipments surpassed 1 million devices for the first time. During the quarter, Lenovo's PC shipments in EMEA increased 4.8 share points year-over-year in the quarter, to reach an all time high of 18 percent.

In **Asia Pacific**, Lenovo's revenue was up \$270 million to reach US\$1.6 billion in the first quarter, or 15 percent of the Company's worldwide revenue. Lenovo's PC market share in Asia Pacific was up nearly two share points year-over-year to reach 15 percent. Smartphone shipments in the region were 1.5 million units, up 3.7 times from the same quarter a year earlier. Operating profit margin in the region was 4.1 percent, up dramatically from 0.9 percent a year earlier. Lenovo grew its number one position in Japan, while improved performance in this market drove the region's robust profitability improvements.

In the **Americas**, revenue was US\$2.2 billion in the first fiscal quarter, an increase of 19 percent year-over-year, comprising 22 percent of the Company's worldwide revenue. Operating profit margin was 1.1 percent, a 0.3 point decrease compared to last year as the Company continued investments in Latin America and Brazil. The Americas saw a record high PC market share of 12.5 percent, up 23.7 percent or 3 market share points year-over-year, as well as record share in the United States of 11.3 percent, which was up 1.5 points year-over-year.

PRODUCT OVERVIEW

During the first fiscal quarter, Lenovo's **Laptop** computers generated 49 percent of Lenovo's total revenue. Across the industry, laptop shipments were down 3.7 percent year-over-year, an improvement from the year before when declines were nearly 13 percent year-over-year driven by corporate refresh and innovations in the category. Helped by this stabilizing trend, consolidated revenues for Lenovo's laptop PC business worldwide in the first fiscal quarter totaled US\$5.1 billion, an increase of 12 percent year-over-year. The Company gained nearly four share points and achieved a market share of 21 percent. During the first quarter, Lenovo announced the ThinkPad 10, a ten-inch premium multimode business tablet ideally suited for business users, as well as the Company's first consumer Chromebooks, the N20 and N20p. These Chromebooks offer consumers two ways to enjoy the Chrome experience in a thin and light form. Lenovo also introduced the B50 laptop for small businesses, and the Z40 and Z50 laptops for more entertainment focused users.

Lenovo took the number one position in **Desktop** PC shipments which were up 12.1 percent year-over-year during the first fiscal quarter, compared to an overall industry increase of 2.4 percent. The 1.5 share point increase year-over-year gave Lenovo a desktop market share of 17.5 percent. Consolidated revenues of Lenovo desktop PCs were up 20 percent year-over-year in the first quarter to US\$3.0 billion, or 29 percent of the Company's total revenue. During the first quarter, Lenovo introduced several new desktop PCs starting with the A Series A540 AIO (all-in-one) desktop built for families and equipped with the latest audio and video features for enjoying digital content. Lenovo also revealed its newly redesigned ThinkStation P300 entry-level workstation, featuring unparalleled flexibility, ideal for professionals who need ISV application certification hardware at a reasonable price.

Consolidated revenues of Lenovo's **Mobile Device Business****, including smartphones and tablets, increased 32 percent year-over-year during the first fiscal quarter to US\$1.6 billion, representing 15 percent of the Company's total revenue during the quarter. In China, Lenovo achieved the number one position in smartphones, while it became the worldwide number 3 maker of tablets. During the quarter, Lenovo announced several new A-series Android tablets, offering configurations and screen sizes to match consumer needs for both ultra-portable tablets and multimedia performers. The portfolio includes the seven-inch TAB A7-50, the eight-inch TAB A8, and the ten-inch TAB A10, equipped with an optional Bluetooth keyboard.

Lenovo continues to drive innovation across Smart Connected Devices, with new and exciting smartphone, ecosystem and enterprise products coming in the second half of its fiscal year. Lenovo is exploring new internet-centric growth opportunities as evidenced in its recent announcement of the New Business Development (NBD) platform where Lenovo is engaging partners to drive innovation across new hardware categories. Finally, Lenovo's efforts on both the Motorola Mobility and IBM x86 server business transactions remain on track and the Company remains confident to close both before the end of the year.

* See IDC data 2Q 2014, all market share data from IDC

** Previously these revenues were reported under Mobile Internet and Digital Home (MIDH). Beginning in this quarter, they will be reported under the Mobile Device Business heading.

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 ended June 30, 2014

(in US\$ millions, except per share data)

	Q1 14/15	Q1 13/14	Y/Y CHG
Revenue	10,395	8,787	18%
Gross profit	1,349	1,191	13%
Gross profit margin	13.0%	13.6%	-0.6pts
Operating expenses	(1,066)	(989)	8%
Expenses-to-revenue ratio	10.3%	11.3%	-1.0pts
Operating profit	283	202	40%
Other non-operating (expense)/ income	(19)	13	N/A
Pre-tax income	264	215	22%
Taxation	(53)	(45)	17%
Profit for the period	211	170	24%
Non-controlling interests	3	4	-27%
Profit attributable to equity holders	214	174	23%
EPS (US cents)			
Basic	2.06	1.67	0.39
Diluted	2.03	1.65	0.38