

China's Lenovo reports Q2 loss following cuts (Update)

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Chinese technology giant Lenovo posts a smaller than expected second quarter loss as sales rise in its mobile business

Chinese technology giant Lenovo said Thursday it saw a loss for the second quarter following a restructuring plan, despite stronger sales in its mobile business.

However, the loss reported by the world's biggest personal computer maker was narrower than analysts' forecasts.

"With strong execution, Lenovo acted swiftly and decisively to address challenges, while still delivering better-than-previous-quarter results," Lenovo chairman Yang Yuanqing said in statement on Thursday.

Lenovo had said that it would seek to slash costs by \$1.35 billion annually and cut 3,200 staff from its non-manufacturing workforce—around five percent of its worldwide headcount, when it announced its first quarter results in August.

"Going forward these actions are intended to drive meaningful run-rate cost savings of about \$650

million in the second half of this year and about \$1.35 billion on an annual basis," the firm said.

Its shares on the Hong Kong stock exchange closed 5.8 percent up at HK\$7.7 (\$0.99) after the quarterly results were announced, while the benchmark Hang Seng Index finished the day 2.4 percent higher.

Lenovo posted a net loss of \$714 million for the second quarter ending September 30, compared to a profit of \$262 million in the same period last year.

Analysts had expected the firm to report a \$803 million loss, according to Bloomberg News.

Revenue increased 16 percent to \$12.15 billion, while the company also saw a pre-tax loss of \$842 million.

Lenovo has suffered from a decline in global demand for PCs, which account for around a third of its revenue despite its efforts to diversify into other sectors, including the smartphone market.

Sales in its PC business were down 17 percent year-on-year at \$8.1 billion, after shipping 15 million PCs during the second quarter.

Its quarterly mobile business sales, which includes Motorola, was up 104 percent year-on-year at \$2.7 billion.

"In mobile, our strategy to shift our growth focus to outside of China continued to pay off, and we gained share and improved margin," Yang said.

The technology firm said 18.8 million mobile units were sold, up 11 percent compared to the same period last year led by growth outside China.

Lenovo bought Motorola from Google for \$2.9 billion last October, soon after its purchase of IBM's low-end server business as part of its strategy of

broadening beyond PCs.

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