

## LENOVO REPORTS SECOND QUARTER 2012/13 RESULTS

- **Record pre-tax income of US\$204 million**
- **Record quarterly sales of US\$8.7 billion**
- **Record market share of 15.6 percent**
- **Basic EPS of 1.58 US cents, or 12.25 HK cents**
- **Net cash reserves of US\$3.6 billion (as of September 30, 2012)**

**HONG KONG, November 8, 2012** – Lenovo Group today reported results for its second fiscal quarter ended September 30, 2012. Outgrowing the market in all geographies, Lenovo continued its push towards becoming the number one vendor in the PC industry, with record quarterly sales of \$8.7 billion, an 11 percent increase year-over-year. While growing faster than the top four PC companies for three straight years, Lenovo also turned in another quarter of record pre-tax income at US\$204 million, evidence that the Company continues to build upon its track record of profitable growth.

During the second fiscal quarter, Lenovo's worldwide PC shipments grew 10.3 percent, in a difficult market that was down eight percent year-over-year, the 14<sup>th</sup> quarter in a row that the company has grown faster than the PC industry as a whole. In this challenging environment, Lenovo achieved its highest-ever worldwide market share of 15.6 percent\*, gaining share points in every geography, every product category in which it competes, and in every respective customer segment.

This balanced growth has become a hallmark of Lenovo over the past three years, and is the result of the Company's continued focus on its "protect and attack" strategy, whereby Lenovo strengthens its position in those places or markets where it enjoys a solid business, while simultaneously reaching outwards into new places or markets where opportunities to reach even more customers present themselves. Entering these new markets is essential to Lenovo continuing its position as a leader in the PC Plus era, where tablets, smartphones and smart TVs continue to gain traction and capture record customer acceptance.

In addition to its impressive share gains, Lenovo turned in net income of US\$162 million in the second quarter, an increase of 13 percent year-over-year, with gross margin at 12.1 percent. Gross profit for the second fiscal quarter increased 11 percent year-over-year, to US\$1.1 billion, while operating profit for the second quarter was US\$206 million, a 24 percent increase year-over-year.

Basic earnings per share for the second fiscal quarter was 1.58 US cents, or 12.25 HK cents. Net cash reserves as of September 30, 2012, totaled US\$3.6 billion. Lenovo's Board of Directors declared an interim dividend of 4.5 HK cents per share.

As the PC Plus era continues to take shape, Lenovo made several bold moves during the second fiscal quarter to solidify its leadership position, announcing two significant acquisitions: CCE, widely known in Brazil as a leader in PCs and consumer electronics, which significantly expands Lenovo's presence in the world's third-largest PC market, including manufacturing capabilities; and Stoneware, a software company based in Indiana, focused on cloud computing, which will help Lenovo grow its capabilities for both commercial and consumer cloud offerings, particularly the ability to provide secure content across multiple devices in education and government sectors.

Both of these acquisitions came quickly on the heels of Lenovo's announcement of a global partnership with EMC, forming a server technology development program to help drive

innovation and extend Lenovo's capabilities in x86 industry-standard servers. As part of this agreement, Lenovo will bring these servers to market on its own, and embed them in selected EMC storage systems over time. Just last week, Lenovo announced the formation of the Enterprise Product Group, a new business unit that will focus on expanding the Company's server, storage, networking and software offerings geared to a variety of commercial customers, including large enterprises, small/medium businesses and system integrators.

Also during the second quarter, Lenovo announced that it was opening a manufacturing line in North Carolina, creating 115 new manufacturing jobs, boosting its competitive position as a global company with strong local roots.

"With the strong execution of our Protect and Attack strategy, Lenovo has continued its strong and balanced growth momentum. Our global PC market share reached another historic high, moving us closer to our dream of becoming the worldwide PC leader. With four years' effort, our Consumer PC business has become the world's number one in this segment for the first time. Our smartphone business in China, which we started only two years ago, has again strengthened its number two position," said Yang Yuanqing, Chairman and CEO of Lenovo. "More importantly, we not only grew rapidly, but also improved our profitability consistently, with pre-tax income reaching a record high this quarter. As emerging markets outside of China and Mature Transactional business have entered the profitable growth stage, and as our smartphone and other MIDH (mobile internet/digital home) business continue to grow, Lenovo's overall profitability will continue to improve."

## **GEOGRAPHIC OVERVIEW**

- Lenovo **China** achieved US\$3.9 billion in consolidated sales in the second fiscal quarter, an increase of 20 percent year-over-year, accounting for 44 percent of the Company's worldwide sales. During the second quarter, Lenovo grew its number-one position in China, the world's largest PC market, to a leading market share of 34 percent, up 2.4 points year-over-year. Lenovo's PC shipments in China grew eight percent year-over-year in the quarter, a significant result given that the overall China PC market was flat. As the number one PC vendor in China, Lenovo's PC shipments are greater than that of the next top four vendors combined. Of particular note, is Lenovo's continued strength in China's emerging cities, and the Company continues to build its reputation with other product offerings such as smart phones, tablets and smart TVs, as it leads China's customers into the PC Plus era.
- In the **Asia Pacific/Latin America region**, Lenovo achieved a record market share of 11.5 percent in the second fiscal quarter, up 1.6 points year-over-year. In a PC market that was down ten percent year-over-year, the Company grew its PC shipments across the region by an impressive five percent. Lenovo was the leading PC vendor in Japan, the world's fifth largest PC market, and number one in India as well, where the Company grew 31.8 percent and gained 4.8 share points year-over-year. In the Latin America countries (not including Brazil), Lenovo recorded its first-ever overall double-digit market share, while picking up 4.1 share points year-over-year. Consolidated sales across the region totaled US\$1.8 billion for 21 percent of Lenovo's worldwide sales.
- For the first-time ever, **Lenovo in Europe Middle East/Africa** achieved double-digit market share, ending the second fiscal quarter at 10.8 percent, an increase of 3.0 share points year-over-year. These gains helped Lenovo become the third-largest PC vendor in EMEA. Lenovo's share gains were consistent throughout the region, growing in all markets. Among the highlights for the second quarter were the Company's number one positions in Russia and Germany, where in the latter Lenovo gained 3.9 additional share points year-over-year. Although the overall industry was down eight percent across the region, Lenovo grew its PC shipments by 27 percent year-over-year, a stunning result. The Company had consolidated sales in the second quarter of US\$1.8 billion, a year-over-year improvement of 12 percent, and good for 21 percent of Lenovo's total worldwide sales.
- Lenovo's PC shipments in **North America** in the second fiscal quarter increased eight percent year-over-year, in a market that fell badly by about 12 percent. In this

environment, the Company picked up 1.6 share points to a record high market share in the U.S.A. of 8.3 percent. Consolidated sales grew seven percent year-over-year to US\$1.2 billion in the second quarter, or 14 percent of Lenovo's total worldwide sales. Triggered by a ten-times increase in its retail presence throughout the U.S.A, Lenovo saw significant sales gains in its consumer business there. Commercial account growth was strong there as well.

## PRODUCT OVERVIEW

- For the first-time ever, Lenovo became the world's largest supplier of **Laptop** PCs. The Company's laptop shipments worldwide in the quarter were up 11.3 percent year-over-year, helping Lenovo gain 2.6 share points and achieve a record-high laptop market share of 16 percent. Across the industry, laptop shipments were down seven percent year-over-year. Lenovo's laptop computers continued to be the largest contributor to the Company's sales worldwide, generating 53 percent of Lenovo's total sales revenue. Consolidated sales for Lenovo's laptop PC business worldwide in the second fiscal quarter totaled US\$4.6 billion, an increase of three percent year-over-year. During the second quarter, Lenovo announced a breathtaking array of new products: ThinkPad X1 Carbon, ThinkPad T430u ultrabook, and ThinkPad Tablet 2, the company's first tablet specifically geared for Windows 8. Last month, Lenovo caught the industry's attention with its announcement of three new convertibles, Yoga 13, Lynx and Twist, tablets that flip, twist, fold and separate, and are designed for Windows 8.
- Consolidated sales of Lenovo **Desktop** PCs worldwide increased five percent year-over-year in the second fiscal quarter to US\$2.8 billion, or 32 percent of Lenovo's total sales revenue. The Company's desktop PC shipments worldwide in the second quarter increased 8.8 percent year-over-year worldwide, compared to an overall industry decrease of nine percent worldwide. As a result, Lenovo gained 2.6 share points year-over-year and achieved a record-high market share of 15 percent. During the second quarter, Lenovo announced its new IdeaCentre A520, a new all-in-one desktop PC featuring a compact 23-inch frameless 1080p display that supports multi-touch with a widely adjustable screen angle (from -5 to 90 degrees flat) with perfect picture at any angle so users can watch movies, play touch-based games or enjoy video chat in any position.
- Entering its second full year of operations, **Lenovo's Mobile Internet Digital Home (MIDH)** group is forging ahead in leaps and bounds, with consolidated sales of US\$718 million, a 155 percent increase year-over-year in the second fiscal quarter, and eight percent of the Company's overall sales. With smartphones and tablets leading the Company's PC Plus charge, Lenovo has continued to outpace the hyper-growth in shipments in China, and is now the second largest vendor in China in each of these product categories. Lenovo has gained an incredible 12.5 share points in smartphones year-over-year in the second quarter for an overall market share of 14.2 percent in China. During the second quarter, Lenovo announced that it would begin selling smartphones in Indonesia, Philippines and Vietnam, and just last week, added India to the list.

## ABOUT LENOVO

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$30 billion personal technology company – and one of the top two PC makers 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 smart

phones. Lenovo, a global Fortune 500 company, has major research centers in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; and Raleigh, North Carolina. For more information see [www.lenovo.com](http://www.lenovo.com).

\*See IDC data, 3Q 2012

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## FINANCIAL SUMMARY

For the second quarter ended September 30, 2012

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

	Q2 12/13	Q2 11/12	Y/Y CHG
Sales	8,672	7,786	11%
Gross Profit	1,050	947	11%
Gross Profit Margin	12.1%	12.2%	-0.1pts
Operating Expenses	(844)	(781)	8%
Expenses-to-Revenue Ratio	9.7%	10.0%	-0.3pts
Operating Profit	206	166	24%
Other Non-Operating Expenses	(2)	(1)	47%
Pre-tax Income	204	165	24%
Taxation	(41)	(20)	103%
Profit for the period	163	145	13%
Non-controlling interests	(1)	(1)	12%
Profit attributable to Equity Holders	162	144	13%
EPS (US cents)			
Basic	1.58	1.41	0.17
Diluted	1.55	1.38	0.17