



## **LENOVO REPORTS THIRD QUARTER 2011/2012 RESULTS**

- Record quarterly sales of US\$8.4 billion
- Record pre-tax income of US\$192 million
- Profit attributable to equity holders of US\$153 million
- Highest-ever worldwide market share of 14.0 percent
- Highest-ever market share in China of 35.3 percent
- Basic EPS of 1.50 US cents, or 11.67 HK cents
- Net cash reserves of US\$3.9 billion (as of December 31, 2011).

**HONG KONG, February 9, 2012** – Lenovo Group today reported results for its third fiscal quarter ended December 31, 2011, highlighted by record highs in quarterly sales, pre-tax income and market share, and the 11<sup>th</sup> quarter in a row that Lenovo has grown faster than the industry as a whole. For the ninth quarter in a row, the Company grew faster than any of the top four PC manufacturers, a result of Lenovo's continued focus on balanced growth across all geographies, customer segments and product lines. During the third quarter, Lenovo recorded its highest-ever worldwide market share of 14.0\* percent, and its highest-ever market share in China of 35.3 percent, an increase of 3.7 and 3.1 share points year-over-year respectively.

During the third fiscal quarter Lenovo's pre-tax income increased 59 percent year-over-year, to a record high of US\$192 million.

The Company's gross profit for the third quarter grew 47 percent year-over-year, to US\$954 million, with gross margin at 11.4 percent. Operating profit for the third quarter was US\$193 million, while profit attributable to equity holders grew 54 percent year-over-year to US\$153 million.

Based upon the Company's strong execution of its "Protect and Attack" strategy, Lenovo achieved record sales of US\$8.4 billion during the third fiscal quarter, an increase of 44 percent year-over-year. While the worldwide PC industry as a whole struggled to remain flat year-over-year, Lenovo's PC shipments increased an impressive 37 percent, outpacing the industry growth/decline in China, Emerging Markets and Mature Markets alike.

Basic earnings per share for the third fiscal quarter was 1.50 US cents, or 11.67 HK cents. Net cash reserves as of December 31, 2011, totaled US\$3.9 billion.

Last month Lenovo participated at the Consumer Electronics Show (CES) in Las Vegas, ignited by a press conference where the Company introduced for the first time to a worldwide audience such innovative new products as the IdeaPad Yoga, a tablet/ultrabook hybrid; the IdeaCentre A720, the world's slimmest 27-inch, all-in-one PC; the K91 smart TV, and the Company's vision for the Personal Cloud. Lenovo's product showcase was busy day and night with media, business partners and customers, and the Company took home a total of 23 industry awards.

"Despite the worldwide hard drive shortage in the past quarter, Lenovo continued to achieve strong growth with record results in market share and revenue, as well as record high in PTI (pre-tax income) of US\$192 million. For the first time, Lenovo became the number one vendor globally in commercial PCs and in consumer desktop," said Yang Yuanqing, Lenovo Chairman and CEO. "We saw strong progress in our Mobile Internet business. During the quarter, Lenovo sold more than 6.5 million phones, and almost half were smartphones. Lenovo's smartphone market share in China reached double-digit market share in December. We also see strong momentum in our tablet business. All these successes demonstrate that Lenovo has built a strong foundation for the next steps beyond traditional PCs."

## GEOGRAPHIC OVERVIEW

- **Lenovo China's** market share rose 3.1 percentage points during the third fiscal quarter, to an all-time high market share for Lenovo in China of 35.3 percent. In the largest PC market in the world, Lenovo widened the share gap between itself and the Company's main competitors, and continued to outperform the China market, particularly in emerging cities and amongst rural customers. Lenovo posted US\$3.5 billion in consolidated sales in China in the third quarter, an increase of 30 percent year-over-year, and accounting for 42 percent of the Company's worldwide sales. Lenovo's PC shipments in China increased 28 percent year-over-year, almost double the overall industry increase of PC shipments in China of 17 percent.
- In **Emerging Markets\*\*** Lenovo's consolidated sales totaled US\$1.3 billion for the third fiscal quarter, an increase of 13 percent year-over-year, and 15 percent of the Company's worldwide sales. Lenovo's PC shipments across the region increased 23 percent year-over-year in the third quarter, more than five times the overall industry increase in the region of just four percent. Lenovo grew market share by 1.2 percentage points year-over-year across the region to 7.8 percent. Lenovo's business in India continued to be strong, with PC shipments up 28 percent during the third quarter, and record market share of 13.7 percent. The Company's growth in Latin America continued to impress, with PC shipments across the region increasing 54 percent. In Russia, Lenovo increased PC shipments 23 percent year-over-year.
- **Mature Markets\*\*\*** accounted for US\$3.6 billion in consolidated sales, an increase of 81 percent year-over-year, attributed primarily to the hard-earned success in Japan and Germany of the Company's joint venture with NEC and acquisition of Medion respectively. As a result, Mature Markets accounted for 43 percent of the Company's worldwide sales during the third fiscal quarter. Increased demand in commercial PC opportunities across Western Europe and North America resulted in an eye-opening year-over-year 67 percent increase in Lenovo's PC shipments in mature markets during the third quarter, compared to an overall industry decline in mature markets of 8 percent. Significantly, Lenovo gained 4.2 market share points in the third quarter and posted an all-time high 9.4 percent market share in the region, and fast closing in on double-digits. In North America, Lenovo PC shipments increased 40 percent, in a market that was down seven percent.

## PRODUCT OVERVIEW

- Consolidated sales for Lenovo's **laptop** PC business worldwide in the third fiscal quarter totaled US\$4.5 billion, an increase of 30 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. The Company's laptop shipments worldwide in the third quarter were up 41 percent year-over-year, compared to an industry increase of just three percent.
- Lenovo's **desktop** shipments for the third fiscal quarter increased 32 percent year-over-year, compared to an industry decline of three percent. Lenovo is now the number one provider of consumer desktop PCs in the world, and the third largest provider of commercial desktop PCs. Consolidated sales of Lenovo desktop PCs worldwide in the third quarter totaled US\$2.8 billion, an increase of 39 percent year-over-year, and 33 percent of Lenovo's total sales revenue.
- **Lenovo MIDH** (Mobile Internet/Digital Home) recorded US\$565 million in consolidated sales during the third fiscal quarter. Led by the successful launch of the A60 and P70 smartphones, Lenovo's smartphone shipments in China increased 20 times year-over-year for the quarter. Lenovo's feature phone shipments increased 26.2 percent, compared to an overall market decrease of 12 percent. Tablet shipments continued to show good momentum with unit shipment results more than double quarter-to-quarter. Lenovo is the number two tablet vendor in China according to the latest industry estimate. During the

last quarter, Lenovo made several announcements rounding out the Company's MIDH product portfolio including the S2 smartphone, IdeaTab S2 tablet, the K91 smart TV and its vision for the Personal Cloud.

#### **ABOUT LENOVO**

Lenovo (HKSE: 992) (ADR: LNVGY) is a \$US21 billion personal technology company – and the second 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 smart phones. Lenovo 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 2011Q4 press release

\*\* includes Africa, Asia Pacific, Central/Eastern Europe, Hong Kong, India, Korea, Latin America, Mexico, Middle East, Pakistan, Russia, Taiwan, Turkey

\*\*\*includes Australia/New Zealand, Israel, Japan, North America, Western Europe and global accounts

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**LENOVO GROUP**

**FINANCIAL SUMMARY**  
**For the third quarter ended December 31, 2011**

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

	<b>Q3 11/12</b>	<b>Q3 10/11</b>	<b>Y/Y CHG</b>
Sales	8,372	5,808	44%
Gross Profit	954	648	47%
Gross Profit Margin	11.4%	11.2%	0.2pt
Operating Expenses	(761)	(524)	45%
Expenses-to-Revenue Ratio	9.1%	9.0%	0.1pt
Operating Profit	193	124	55%
Other Non-Operating Expenses	(1)	(3)	(71%)
Pre-tax Income	192	121	59%
Taxation	(38)	(21)	80%
Profit for the period	154	100	55%
Non-controlling interests	(1)	0	n/a
Profit attributable to Equity Holders	153	100	54%
EPS (US cents)			
Basic	1.50	1.03	0.47
Diluted	1.46	0.98	0.48