

LENOVO REPORTS THIRD QUARTER 2012/13 RESULTS

- **Records in pre-tax income of US\$246 million and earnings of US\$205 million**
- **Record quarterly sales of US\$9.4 billion**
- **Record 14.1 million PC shipments and record 15.9 percent global market share**
- **Basic EPS of 1.99 US cents, or 15.42 HK cents**
- **Net cash reserves of US\$4.2 billion (as of December 31, 2012)**

HONG KONG, January 30, 2013 – Lenovo Group today reported results for its third fiscal quarter ended December 31, 2012. In its best quarter ever, Lenovo continued to outgrow the market in all geographies with record sales, pre-tax income and earnings. Lenovo continued its push towards becoming the world's leading PC maker and emerging global leader in PC Plus devices, with another quarterly sales record of \$9.4 billion, an 12 percent year-over-year increase.

For 13 consecutive quarters, Lenovo has been the fastest growing major PC company. Lenovo was also recognized by IDC as the world's third largest maker of "smart connected devices", such as tablets, PCs and smartphones. At the same time, Lenovo had another quarter of record pre-tax income at US\$246 million, demonstrating that such rapid growth is being achieved while profits increase.

Lenovo's third quarter earnings were also a record at US\$205 million, an increase of 34 percent over the last year, with gross margin at 11.8 percent. Gross profit for the third fiscal quarter increased 15 percent year-over-year, to US\$1.1 billion, while operating profit for the third quarter was US\$243 million, a 26 percent increase year-over-year. Basic earnings per share for the third fiscal quarter was 1.99 US cents, or 15.42 HK cents. Net cash reserves as of December 31, 2012, totaled US\$4.2 billion.

The Company's 'Protect and Attack' strategy – protecting the two profit pools of global commercial PC and the China businesses, while attacking three high growth opportunities in emerging markets, global consumer and PC Plus products, such as smartphones, tablets and smart TVs – continued to deliver results. This quarter, Attack businesses delivered 50 percent of the Company's revenues, a significant increase from four years ago when the Company first launched the strategy and attack revenues were 32 percent. Further demonstrating the Company's balance, its Mobile Internet and Digital Home (MIDH) revenues, which includes its smartphone, tablet and smart TV businesses, accounted for a record 11 percent of Company revenue this quarter, up 77 percent year over year. And for the first time, its smartphone business in China became profitable.

During the third fiscal quarter, Lenovo's worldwide PC shipments grew 7.9 percent to an all time high of 15.9 percent* marketshare, in a difficult market that was down 7.8 percent year-over-year. This was the 15th quarter in a row the Company grew faster than the industry. Lenovo gained share points in every geography and every product category and in every respective customer segment.

While the Company's organic growth continues to drive the majority of its success, shareholders should note that Lenovo has closed the joint venture and acquisitions announced in the previous two quarters, including its strategic partnership with EMC that includes a joint venture in EMC's Iomega business; its acquisition of CCE, a leading PC+company in Brazil, and its acquisition of Stoneware, a US-based cloud computing company. Further, the Company reports that integration of all mergers and acquisitions transactions announced in the last three years are well on-track, and in many cases ahead of schedule.

Lenovo recently realigned its product development and supply chain organizations to create two new groups: the Lenovo Business Group, which will focus on mainstream PCs, mobile internet and digital home products; and the Think Business Group, which will focus on Think-branded products targeting high-end consumers and enterprises. Today, Lenovo is twice as large and much more diverse than it was when its existing structure was established over four years ago. That structure was ideal in supporting Lenovo's business when it was mostly focused on its China PC and global commercial PC business. Today, the Company has built strong consumer, mobile and emerging markets businesses globally, so the change was proactively initiated to drive continued performance across all of these businesses, stay ahead of consumer demands, while driving speed, agility and innovation.

The recently concluded Consumer Electronics Show (CES) in Las Vegas continued to show that innovation is a significant competitive advantage and future growth driver for Lenovo. The Company was recognized with a record 50 awards at CES, including several "Best in Show" acknowledgments. A robust pipeline of innovative products including the IdeaCentre Horizon - a 27-inch table top PC; ThinkPad Helix - Lenovo's latest convertible PC designed for business professionals; and the Intel-powered, K900 smartphone are well positioned to continue to stoke new customer demand and drive Lenovo's performance.

"With the strong execution of our 'Protect and Attack' strategy, Lenovo has not only achieved record revenue, profit and global PC market share last quarter, but also our smartphone and tablet businesses have delivered hyper growth. Even more, our worldwide tablet and China smartphone businesses have become profitable," said Yang Yuanqing, chairman and CEO, Lenovo Group. "As we continue into the PC Plus era, Lenovo has already laid a solid foundation. Our new organization will provide the structure to elevate our diversified business and drive it to the next level. We are confident that we can win through differentiation and will be the innovation leader in the PC Plus era."

GEOGRAPHIC OVERVIEW

- **Lenovo China** achieved US\$4.1 billion in consolidated sales in the third fiscal quarter, an increase of 17 percent year-over-year, accounting for 43 percent of the Company's worldwide sales. Lenovo's PC Plus strategy fueled outstanding performance in China with 83 percent MIDH revenue growth and a revenue contribution in China of 22 percent. The Company achieved an important milestone with China smartphone achieving profitability for the first time. Lenovo grew its number-one PC market share position in China, the world's largest PC market, to 36.7 percent, up 1.4 points year-over-year. Lenovo's PC shipments in China grew two percent year-over-year in the quarter, a solid result given that the overall China PC market was down two percent.
- In the **Asia Pacific/Latin America** region, Lenovo achieved 11.3 percent market share in the third fiscal quarter, up marginally year-over-year. In a PC market that was down nine percent year-over-year, the Company grew its PC shipments across the region by four percent. Lenovo continued its run as the leading PC vendor in Japan. Consolidated sales across the region totaled US\$1.7 billion for 18 percent of Lenovo's worldwide sales, while operating margins continued to be profitable.
- Lenovo in **Europe Middle East & Africa** grew PC shipments by 25.5 percent and became the second largest PC seller in this region, with 11 percent market share, an increase of 3.2 share points year-over-year. This was the Company's first ever quarter to reach the number two position in the region. These achievements were made despite the headwind of overall industry decline in shipments of 11 percent across the region. The Company had consolidated sales in the third quarter of US\$2.3 billion, a year-over-year improvement of 17 percent, good for 25 percent of Lenovo's total worldwide sales.

- Lenovo's PC shipments in **North America** in the third fiscal quarter increased 11 percent year-over-year, in a market that fell by about seven percent. In this environment, the Company gained 1.5 share points to a record high market share of nine percent. Consolidated sales grew eight percent year-over-year to US\$1.3 billion in the third quarter, or 14 percent of Lenovo's total worldwide sales. Also, for the first time in North America, Lenovo made significant inroads into the high-end consumer space, taking a large slice of sales of Windows 8 powered convertible devices – including 30 percent share of the US\$700-and-above market and 45 percent share of the US\$900-and-above market.

PRODUCT OVERVIEW

- In **Laptop PCs**, the Company's worldwide shipments during the third fiscal quarter were up 9.5 percent year-over-year, helping Lenovo gain 2.6 share points and achieve market share of 15.8 percent. Across the industry, laptop shipments were down 8.6 percent year-over-year. Lenovo's laptop computers continued to be the largest contributor to the Company's sales worldwide, generating 52 percent of Lenovo's total sales revenue. Consolidated sales for Lenovo's laptop PC business worldwide in the third fiscal quarter totaled US\$4.8 billion, an increase of eight percent year-over-year. During the third quarter, Lenovo took the industry by storm, announcing a new family convertible devices, touch optimized for Windows 8: the 11" and 13" Yogas, IdeaPad Lynx and ThinkPad Twist. Lenovo also announced ThinkPad X1 Carbon Touch, adding touch experience to the industry's leading business-class Ultrabook, and ThinkPad Twist, a business-ready device that puts a new spin on the traditional convertible tablet.
- Lenovo's consolidated sales of **Desktop PCs** worldwide increased one percent year-over-year in the third fiscal quarter to US\$2.8 billion, or 30 percent of Lenovo's total sales revenue. The Company's desktop PC shipments worldwide in the third quarter increased 5.8 percent year-over-year worldwide, compared to an overall industry decrease of 6.8 percent. As a result, Lenovo gained 1.9 share points year-over-year and achieved a record-high market share of 16.1 percent. During the third quarter, Lenovo announced its new IdeaCentre Q190, the world's smallest full-function desktop PC – measuring just 22mm (0.86 inches) wide – and the latest additions to the C-series all-in-one (AIO) family, featuring affordable, but powerful performance, and multimedia capabilities designed for immersive entertainment.
- As China's second-largest provider of smartphones and tablets, **Lenovo's MIDH** group continues to rapidly build its business. With consolidated sales of US\$998 million, a 77 percent year-over-year increase in the third fiscal quarter, MIDH contributed 11 percent to the Company's overall sales. Year over year, Lenovo gained 4.7 share points in the China smartphone market in the third quarter for an overall market share of 12.3 percent in China. This business achieved profitability as well. During the third quarter, Lenovo announced that it would begin selling smartphones in Russia, in addition to previously announced India, Indonesia, Philippines and Vietnam. These five countries plus China, represent 44 percent of the world's population, and give Lenovo a strong sales presence in these important emerging economies.

ABOUT LENOVO

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$30 billion personal technology company – one of the top two PC makers in the world and an emerging PC Plus leader – 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.

*See IDC data, 4Q 2012

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LENOVO GROUP

FINANCIAL SUMMARY
For the third quarter ended December 31, 2012

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

	Q3 12/13	Q3 11/12	Y/Y CHG
Sales	9,359	8,372	12%
Gross Profit	1,101	954	15%
Gross Profit Margin	11.8%	11.4%	0.4pt
Operating Expenses	(858)	(761)	13%
Expenses-to-Revenue Ratio	9.2%	9.1%	0.1pt
Operating Profit	243	193	26%
Other Non-Operating Expenses	3	(1)	NA
Pre-tax Income	246	192	28%
Taxation	(46)	(38)	22%
Profit for the period	200	154	30%
Non-controlling interests	5	(1)	NA
Profit attributable to equity holders	205	153	34%
EPS (US cents)			
Basic	1.99	1.50	0.49
Diluted	1.96	1.46	0.50