

LENOVO REPORTS STRONG FOURTH QUARTER AND FULL YEAR 2012/13 RESULTS

Rapid PC Plus transformation and effective cost control drive 90 percent profit growth in Q4

- Records in annual pre-tax income of US\$801 million and earnings of US\$635 million
- Record annual sales of US\$34 billion
- Record 52.4 million PC shipments and record 15.5 percent global market share
- Full year basic EPS of 6.16 US cents, or 47.78 HK cents
- Net cash reserves of US\$3.1 billion (as of March 31, 2013)

HONG KONG, May 23, 2013 – Lenovo Group today announced results for its fourth fiscal quarter and full-year ended March 31, 2013. With record full-year sales of US\$34 billion, an increase of 15 percent year-over-year, a record full-year pre-tax income of US\$801 million, up 38 percent year-over-year and record earnings of US\$ 635 million, up 34 percent, Lenovo had a strong showing. While Lenovo continued to close in on the # 1 position in PCs, with a record 15.5 percent market share for the full-year, it accelerated its transformation to become a top competitor in the PC Plus era, with a 5.9 percent share of Smart Connected Devices and global #3 ranking.

Lenovo had record revenues for the fourth quarter of US\$7.8 billion, four percent year-over-year growth. The Company achieved pre-tax income of US\$166 million during the fourth fiscal quarter, a 63 percent increase over the same period last year. Compared to an overall industry decline of more than 13 percent year-over-year, Lenovo grew at a 14 point premium to the market, besting the industry for the 16th quarter in a row.

The Company's gross profit for the fourth fiscal quarter grew to US\$963 million, an increase of 20 percent year-over-year. Gross margin was 12.3 percent. Operating profit for the fourth quarter was US\$169 million, up 67 percent year-over-year, while earnings jumped 90 percent year-over-year to US\$127 million.

Basic earnings per share in the fourth fiscal quarter are 1.22 US cents, or 9.46 HK cents. Lenovo's Board of Directors declared a final dividend of 1.81 US cents, or 14.0 HK cents per share for the fiscal year ended March 31, 2013.

For the 2012/13 fiscal year, Lenovo's PC shipments grew 10.2 percent year-over-year, compared to an overall industry decline of 8.1 percent during this same period. Gross profit for the full year was US\$4.1 billion, an increase of 18 percent year-over-year. Gross margin was 12 percent, while operating profit for the full fiscal year was US\$ 800 million, a 37 percent jump over year-over-year. Lenovo's earnings grew 34 percent year-over-year to US\$635 million.

"Despite a challenging macro-economic environment and ongoing PC industry transformation, Lenovo delivered a strong performance in the 2012/13 fiscal year. Not only were we the fastest growing among all major PC players, with record market share, revenue and profitability, more importantly, our smartphone and tablet businesses saw dramatic growth," said Yang Yuanqing, Lenovo Chairman and CEO. "In fact, smartphone shipments were 3.7 times greater than last year globally and we are now number two in the China smartphone market. This has laid a solid foundation for the successful transformation of Lenovo into a PC Plus leader. Going forward, we will focus our investments on the fast-growing tablet, smartphone and enterprise hardware areas, while working to enhance the profitability of our core PC business. We are very confident in our ability to achieve success in these new areas, just as in the PC business."

GEOGRAPHIC OVERVIEW

- **Lenovo China** achieved a 4.9 percent operating margin on US\$3.1 billion in consolidated sales in the fourth fiscal quarter. This was an eight percent year-over-year or US\$ 228 million increase of revenue, accounting for 40 percent of the Company's worldwide sales. Lenovo's

PC Plus push was strongest in China with 74 percent MIDH revenue growth and a revenue contribution in China of 21 percent. MIDH's profitability also continued to improve. Lenovo grew its number-one PC market share position in China, the world's largest PC market, to 31.7 percent, up 1.7 points year-over-year. Lenovo's PC shipments in China benefited from its deep penetration in emerging cities and the country's ongoing urbanization.

- In the **Asia Pacific/Latin America** region, Lenovo achieved 11.7 percent market share in the fourth fiscal quarter, up 1.1 points. With the regional PC market that was down 8.5 percent year-over-year, the Company grew its PC shipments across the region by one percent. Lenovo remained number one in Japan and increased its lead over the competition. Consolidated sales across the region totaled US\$1.7 billion or 21 percent of Lenovo's worldwide sales, while operating margins were profitable.
- Lenovo in **Europe, Middle East & Africa** grew PC shipments during the fourth quarter by 11 percent and continued to strengthen its number two position in PCs across the region, with 11.8 percent market share, an increase of 3.2 share points year-over-year. This is a 30 point premium to the market that saw a 19.5 percent decline in the region. The Company had consolidated sales in the fourth quarter of US\$1.8 billion, a year-over-year improvement of six percent, good for 24 percent of Lenovo's total worldwide sales. Operating profit margin was healthy at 2.3 percent, a 1.4 point increase year-over-year.
- Lenovo's PC shipments in **North America** in the fourth fiscal quarter increased 9.8 percent year-over-year, in a market that fell by about 12 percent. In this environment, the Company gained 1.8 share points to a record high market share of 9.3 percent. Consolidated sales grew 13 percent year-over-year to US\$1.2 billion in the fourth quarter, or 15 percent of Lenovo's total worldwide sales. In North America, Lenovo continues to have success in the high-end convertible consumer space, with devices like Yoga and Twist taking the number 1 position with nearly 50 percent market share.

PRODUCT OVERVIEW

- Consolidated sales for Lenovo's **laptop PC business** worldwide in the fourth fiscal quarter decreased two percent year-over-year to US\$4.2 billion, accounting for 53 percent of the Company's overall sales. During the same period, Lenovo's worldwide laptop PC shipments increased 0.4 percent, against the backdrop of an overall industry decrease of 14.2 percent. In the fourth quarter, Lenovo introduced several new consumer laptop PCs, led by the IdeaPad U310 and U410, mainstream thin and light Ultrabooks with 10-finger touch, and the IdeaPad Z400 and Z500 "entertainment-optimized" laptop PCs, featuring an immersive sound experience. For business customers, Lenovo introduced the new ThinkPad T431s, the thinnest "T-series" ever, the T-series being Lenovo's highest selling laptop line.
- During the fourth fiscal quarter, Lenovo's **desktop PC** shipments held flat worldwide year-over-year, against an industry decline of 12.2 percent worldwide. Lenovo's desktop PC consolidated sales for the same period decreased two percent to US\$2.4 billion, or 30 percent of the Company's overall sales worldwide. In the fourth quarter, Lenovo introduced Horizon, an all-in-one table PC and the Company's first "interpersonal PC", a multi-user, multi-touch, multi-mode device for the home that allows users to turn their personal computing experience into a shared computing experience.
- Lenovo held strong as China's number two smartphone maker, seeing rapid growth in all its **Mobile Internet Digital Home (MIDH)** product lines. The Company's smartphone shipments grew 206 percent in the fourth quarter, a significant premium to the overall market in China which grew 117 percent. This equates to a 3.5 year-over-over share point gain, or a fourth quarter market share of 13 percent. Consolidated sales of MIDH products rose 74 percent to US\$736 million, nine percent of the Company's overall sales. Lenovo announced several new smartphones in the fourth quarter, led by the new K900, a premium 5.5-inch smartphone,



with a super-slim 6.9 mm profile and high-performance camera; all running on an Intel Atom processor.

ABOUT LENOVO

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$34 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 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.

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**LENOVO GROUP
FINANCIAL SUMMARY**
For the fiscal quarter and full year ended March 31, 2013

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

	Q4 12/13	Q4 11/12	Y/Y CHG	FY12/13	Y/Y CHG
Sales	7,832	7,496	4%	33,873	15%
Gross profit	963	806	20%	4,073	18%
Gross profit margin	12.3%	10.8%	1.5pts	12.0%	0.3pts
Operating expenses	(794)	(704)	13%	(3,273)	14%
Expenses-to-revenue ratio	10.1%	9.4%	0.7pts	9.7%	NIL
Operating profit	169	102	67%	800	37%
Other non-operating (expenses)/ income	(3)	-	NA	1	NA
Pre-tax income	166	102	63%	801	38%
Taxation	(42)	(34)	22%	(170)	59%
Profit for the period	124	68	84%	631	33%
Non-controlling interests	3	(1)	NA	4	NA
Profit attributable to equity holders	127	67	90%	635	34%
EPS (US cents)					
Basic	1.22	0.65	0.57	6.16	1.49
Diluted	1.20	0.63	0.57	6.07	1.50
Dividend per share (HK cents)				18.50	4.70