

LENOVO POSTS SECOND QUARTER 2013/14 RESULTS

Strong execution in PCs and innovative PC Plus products drive opportunity and performance

- Widened lead as number one global PC maker for the second quarter with 17.7% market share
- Third largest “Smart Connected Device” maker, covering PCs, smartphones and tablets
- Lenovo sold a record 29 million total units or about four devices per second
- Record highs of US\$265 million in pre-tax income, US\$220 million in earnings and US\$ 9.8 billion in revenue
- Basic EPS of 2.12 US cents, or 16.44 HK cents
- Net cash reserves of US\$2.6 billion (as of September 30, 2013)

HONG KONG, November 7, 2013 – Lenovo Group today announced results for its second fiscal quarter ended September 30, 2013. Quarterly revenue was US\$9.8 billion, a 13 percent increase year-over-year. Second quarter profit grew even faster with pre-tax income increasing 30 percent year-over-year to US\$265 million, while earnings grew 36 percent year-over-year to US\$220 million. Lenovo posted a record 29 million devices sold in the quarter, which is about four devices every second. The company’s strong global execution of its Protect and Attack strategy, innovative product portfolio and an increasing mix of PC Plus revenues drove the results.

For the second straight quarter, Lenovo was the world’s largest PC vendor*, with its highest-ever quarterly market share of 17.7 percent up 2 points year-over-year. Number one positions in five of the top seven PC markets – which cover one quarter of the world’s population – supported this strong performance. Lenovo’s PC shipments for the second fiscal quarter were 14.1 million units, again making it the fastest growing of the top five PC vendors. This was also the 18th quarter in a row that Lenovo outperformed the industry as a whole.

The company continues to diversify its business and build a strong foundation for the future in the PC Plus era with outstanding performance in PCs and mobile devices like tablets and smartphones. Lenovo’s second quarter mix of sales from Mobile Internet and Digital Home (MIDH) products, which includes smartphones, smart TV and much its tablet business, was 15 percent of total revenues, up from eight percent one year ago and four percent two years ago, with steadily improving profitability.

In fact, Lenovo ranked second in combined PC and Tablet shipments, and was the third-largest supplier of Smart Connected Devices, which includes PC, smartphone and tablet products, growing shipments 36 percent year-over-year. Lenovo’s combined shipments of smartphones and tablets surpassed those of PCs for the second quarter in a row. It also continued to be the world’s fourth largest smartphone supplier, rapidly expanding shipments 78 percent year-over-year. The Company’s China smartphone shipments continued with strong 64 percent year-over-year growth. Finally, Lenovo had a record high of 2.3 million global tablet shipments, up 4.2 times year-over-year, driven by sales outside China. Together, these results show Lenovo’s rapid ongoing transformation into a PC Plus company.

“Lenovo not only remains the top PC company in the world, but is also already the number four player in both smartphones and tablets worldwide and continues growing rapidly. At the same time, we have achieved record revenue and record profit, and improved profitability significantly.” said Yang Yuanqing, Chairman and CEO of Lenovo. “We are optimistic about the industry’s outlook. Benefiting from corporate refresh and China market improvement, the PC market is recovering, and tablet growth continues shifting to mainstream and entry-level segments, as well as emerging markets. These are Lenovo’s strength areas. We are confident that we will capture these opportunities and continue our strong growth.”

The Company's gross profit for the second fiscal quarter increased 11 percent year-over-year to US\$1.27 billion, with gross margin at 12.9 percent. Operating profit for the quarter grew 38 percent year-over-year to US\$283 million. Basic earnings per share for the second fiscal quarter was 2.12 US cents, or 16.44 HK cents. Net cash reserves as of September 30, 2013, totaled US\$2.6 billion. Lenovo's Board of Directors declared an interim dividend of 6 HK cents per share.

GEOGRAPHIC OVERVIEW

Lenovo's **China geography** totaled US\$3.8 billion in revenue in the second fiscal quarter, an increase of one percent year-over-year, which accounted for 40 percent of the Company's worldwide revenue. Lenovo's increased revenue growth in China was driven by strength in smartphones and tablets, which together grew 45 percent year-over-year. During the second quarter, Lenovo further strengthened its number-one position in China, resulting in an industry-leading market share in China of 33.9 percent, a 0.2 point year-over-year gain.

In the **Asia Pacific geography**, Lenovo's revenue totaled US\$1.5 billion for the second quarter, or 15 percent of the Company's worldwide revenue, up one percent year-over-year. Solid execution drove strong growth of smartphone sales and profitability improvement in the geography. Lenovo saw a record in the Asia Pacific geography, with a PC market share at 14.5% up 0.1 point year-over-year. Driven by our continued leadership in Japan and our hyper-growth in consumer in India and Indonesia, we became number 1 in consumer PC's in Asia Pacific for the first time with 12.7 percent market share. In AP, we also reached a milestone of having shipped over a million smartphones and tablets.

Lenovo's revenue in the **Europe/Middle East/Africa (EMEA) geography** continued its rapid growth with a 26 percent increase in the second fiscal quarter to reach US\$2.3 billion, or 23 percent of Lenovo's worldwide revenue. During the quarter, Lenovo had record PC shipments in EMEA at 15 percent, up 4.2 points year-over-year. Lenovo achieved number one position in PC across 12 EMEA countries, strengthening its number two position in the EMEA PC market.

The **Americas geography** revenue was US\$2.2 billion for the second fiscal quarter, an increase of 37 percent year-over-year, comprising 22 percent of the Company's worldwide revenue. PC volume in the Americas group was up 39% year-over-year allowing Lenovo to outperform the market by 43 percentage points. The Americas geography saw record market share of 11.3 percent an increase of 3.5 points year-over-year. This was Lenovo's first time to achieve double-digit share in the Americas geography, as well as its first time reaching double digits in the US and Latin America region. With strong execution of its CCE acquisition and a new factory in Brazil, the world's third-largest PC market, Lenovo achieved a number one position in that market as well.

PRODUCT OVERVIEW

During the second fiscal quarter, Lenovo's **Laptop** computers were the largest contributor to the Company's revenue worldwide, generating 51 percent of Lenovo's total revenue. Across the industry, laptop shipments were down 12 percent year-over-year. Despite this challenging environment, consolidated sales for Lenovo's laptop PC business worldwide in the second fiscal quarter totaled US\$5.0 billion, an increase of eight percent year-over-year. The Company gained 2.6 share points and achieved a market share of 18.5 percent. At the annual IFA consumer electronics show held in Berlin during the second quarter, Lenovo introduced new models in its ThinkPad line of commercial laptops, with the ThinkPad T440 and X240, 20-percent thinner than their previous model namesakes, and all with added battery life. At the same time, Lenovo announced new dual-mode consumer laptops, the Flex 14 and 15 inch laptops with the ability to flip the screen 300 degrees into a stand mode for a more natural, comfortable touch experience.

Lenovo's **Desktop** PC shipments grew 1 percent worldwide year-over-year during the second fiscal quarter, compared to an overall industry decrease of 6 percent. As a result, Lenovo gained

1.3 share points year-over-year and achieved a market share of 16.5 percent. Consolidated sales of Lenovo desktop PCs in the second quarter decreased 3 percent year-over-year to US\$2.7 billion, or 28 percent of the Company's total revenue. The second quarter saw Lenovo introduce several new additions to industry-leading all-in-ones lineup – ThinkCentre servers E93z, E73z and M73z – featuring optional multi-touch screens, improved cable management and new mounting options for vertical, rotate and tilt movements including a full-flat position optimized for touch. Also announced in the quarter was the next generation of Lenovo's popular "Tiny" ThinkCentre M93p, known as the desktop PC that measures the same width as a golf ball.

Consolidated sales of Lenovo's **Mobile Internet Digital Home (MIDH)** products, including smartphones and tablets increased 106 percent year-over-year during the second fiscal quarter to US\$1.5 billion, representing 15 percent of the Company's total revenue during the quarter. In China, Lenovo's smartphone shipments increased by 64 percent year-over-year, helping the company maintain its strong position as the second largest smartphone supplier in that market. At the annual IFA consumer electronics show held in Berlin during the second quarter, Lenovo launched the Yoga 2 Pro, successor to the original 360-degree flip and fold Yoga, and the ThinkPad Yoga, a multimode convertible designed with business-focused features. Also at IFA, Lenovo wowed consumers with its new Vibe X smartphone, the newest member of Lenovo's premium smartphone portfolio, and the new S5000 tablet, one of the slimmest tablets on the market at just 7.9mm.

Last week, in time for holiday sales, Lenovo launched its highly anticipated, multi-mode Yoga Tablet, with up to 18 hours of battery life. This product is the latest step in Lenovo's ongoing consumer brand building effort. Lenovo is partnering with Ashton Kutcher – the well known actor and technology investor with 15 million Twitter followers – to showcase this cutting edge technology and innovation. Finally, Lenovo further advanced its brand with the launch of a second flagship store in Beijing in August, with plans for more stores to be opened in coming years.

*see Gartner and IDC data 3Q 2013

ABOUT LENOVO

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$34 billion personal technology company – and the 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, 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 ended September 30, 2013

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

	Q2 13/14	Q2 12/13	Y/Y CHG
Revenue	9,774	8,672	13%
Gross profit	1,265	1,139	11%
Gross profit margin	12.9%	13.1%	-0.2pts
Operating expenses	(982)	(933)	5%
Expenses-to-revenue ratio	10.0%	10.8%	-0.8pts
Operating profit	283	206	38%
Other non-operating expenses	(18)	(2)	936%
Pre-tax income	265	204	30%
Taxation	(51)	(41)	25%
Profit for the period	214	163	31%
Non-controlling interests	6	(1)	N/A
Profit attributable to equity holders	220	162	36%
EPS (US cents)			
Basic	2.12	1.58	
Diluted	2.10	1.55	