

LENOVO REPORTS FIRST QUARTER 2012/13 RESULTS

- **Record market share of 15 percent**
- **Quarterly sales of US\$8 billion**
- **Net income of US\$141 million**
- **Basic EPS of 1.37 US cents, or 10.63 HK cents**
- **Net cash reserves of US\$3.7 billion (as of June 30, 2012)**

HONG KONG, August 16, 2012 – Lenovo Group today reported results for its first fiscal quarter ended June 30, 2012, with quarterly sales of US\$8 billion, a 35 percent increase year-over-year. At the same time, Lenovo’s first quarter net-income increased by 30 percent year-over-year, to US\$141 million, demonstrating the Company’s ability to maintain profitable growth in a challenging market.

As the world’s second-largest PC vendor, Lenovo achieved its highest-ever quarterly market share of 15%* helping the Company to make significant gains against its competitors. In an industry where overall PC shipments were down almost two percent year-over-year, Lenovo’s PC shipments for the first fiscal quarter increased 24.4 percent compared to last year, the 13th quarter in a row that Lenovo’s growth has outpaced the PC industry as a whole. And for the 11th quarter in a row, Lenovo grew faster than any of the top four PC vendors.

Lenovo’s growth was balanced across all geographies, customers segments and products lines, a result of the Company’s continued focus on executing its “protect and attack” strategy of reinforcing its business in established markets while going after potential new markets. As the industry evolves to the PC Plus era, Lenovo has moved aggressively to ensure that the Company is well-positioned as the industry shifts to include more tablets, Smart TVs and smartphones in the product mix.

The Company’s gross profit for the first fiscal quarter increased 30 percent year-over-year, with gross margin at 12 percent. Operating profit for the quarter grew 48 percent year-over-year to US\$182 million. Basic earnings per share for the first fiscal quarter was 1.37 US cents, or 10.63 HK cents. Net cash reserves as of June 30, 2012, totaled US\$3.7 billion.

Two weeks ago, Lenovo announced a global partnership with EMC, forming a server technology development program that will 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 select EMC storage systems over time. Lenovo replaced a major competitor to establish an OEM and reseller relationship where Lenovo will provide EMC’s industry-leading networked storage solutions to Lenovo customers worldwide, starting with China.

Lenovo and EMC have also agreed to a joint venture, majority-owned by Lenovo, bringing certain assets and resources from EMC’s Iomega business to develop and sell Network Attached Storage (NAS) products to small/medium businesses and distributed enterprise sites worldwide.

The agreement with EMC is not material to Lenovo’s earnings.

During the first fiscal quarter, Lenovo also announced the establishment of the Lenovo Industrial base in Wuhan, China, where the Company will build an integrated facility focused on the research, development and production of Lenovo mobile internet and digital home product lines. The facility is expected to open in October 2013.

"Although the economic environment is somewhat similar to the 2008-2009 downturn, Lenovo's results are much stronger because we have the right strategy and great execution," said Yang Yuanqing, Lenovo Chairman and CEO. "Our businesses in emerging markets outside of China, our consumer business and MIDH business all achieved rapid expansion, providing the balanced pillars to support our overall performance. Our business in China and our global commercial business maintained strong profitability, which allows us to secure plenty of resources to invest in growth areas and ensure the company's overall healthy performance. Although we're in a challenging environment, we are confident that by continuing to execute our Protect and Attack strategy, Lenovo can achieve sustainable growth and healthy returns in the PC+ era."

GEOGRAPHIC OVERVIEW**

Lenovo **China** recorded US\$3.5 billion in consolidated sales in the first fiscal quarter, an increase of 24 percent year-over-year, and accounting for 44 percent of the Company's worldwide sales. During the first quarter, Lenovo further strengthened its number-one position in China by 3.9 points, which resulted in an industry-leading market share in China of a record 35 percent, further widening the gap between Lenovo and its nearest rivals. Lenovo's PC shipments in China increased nine percent year-over-year in the quarter, compared to an overall industry decrease of PC shipments in China of 2.8 percent.

In the **Asia Pacific/Latin America** region, Lenovo's PC shipments for the first fiscal quarter increased 59.2 percent, significantly outperforming the overall industry, which saw a decrease of 3.9 percent year-over-year. Consolidated sales totaled US\$1.7 billion for the first quarter, or 21 percent of the Company's worldwide sales. Lenovo recorded double-digit market share in the region with 11 percent, gaining 4.4 share points year-over-year. Highlights for the quarter included a number one position in Japan with 25.4 percent market share, attributable to Lenovo's successful integration of its NEC joint venture, which is entering just its second year of operation. In addition, Lenovo recorded an all-time high in India of 17 percent share while growing more than five times faster than the industry as a whole there, and PC shipments in Brazil increased more than 20 times the overall industry growth rate in that country.

Lenovo's PC shipments in **Europe Middle East/Africa** increased an impressive 62.3 percent in the first fiscal quarter year-over-year, more than six times an overall industry growth rate in the region of 9.1 percent. Consolidated sales increased 62 percent year-over-year during the first quarter, to US\$1.6 billion in consolidated sales, or 20 percent of the Company's worldwide sales. Despite the economic challenges faced by several European countries, Lenovo gained 2.9 share points year-over-year. Lenovo's successful integration of its Medion acquisition has helped the Company improved its position in Western Europe. In Russia, Lenovo doubled its PC shipments year-over-year.

North America consolidated sales totaled US\$1.2 billion year-over-year for the first fiscal quarter, an increase of seven percent year-over-year, comprising 15 percent of the Company's worldwide sales. In an overall market that dropped ten percent year-over-year, Lenovo's PC shipments grew at an 8.6 percent clip in the first quarter, with a balanced

strong showing in sales to both commercial and consumer customers. With a record high market share in the United States of eight percent, Lenovo was able to recapture the number four share position in the region.

PRODUCT OVERVIEW

Lenovo's **Laptop** computers continued to be the largest contributor to the Company's sales worldwide, generating 54 percent of Lenovo's total sales revenue. Consolidated sales for Lenovo's laptop PC business worldwide in the first fiscal quarter totaled US\$4.3 billion, an increase of 23 percent year-over-year. The Company's laptop shipments worldwide in the quarter were up 27 percent year-over-year, helping Lenovo to gain 3.2 share points and achieve a record-high laptop market share of 15.4 percent. Across the industry, laptop shipments were flat year-over-year. During the first quarter, Lenovo announced the worldwide availability of its first ultrabooks, the IdeaPads U310 and U410, featured in the Company's new, global "Book of Do" advertising campaign. Lenovo's new ultrabooks, combine the best features of traditional laptops – processing performance, large storage capacity and rich audio – with the sleek aesthetics and desirable qualities of tablets, such as fast boot-up, instant resume and all-day battery life.

Consolidated sales of Lenovo **Desktop** PCs worldwide increased 26 percent year-over-year in the first fiscal quarter to US\$2.5 billion, or 32 percent of Lenovo's total sales revenue. The Company's desktop PC shipments worldwide in the first quarter increased 21 percent year-over-year worldwide, compared to an overall industry decrease of four percent worldwide. As a result, Lenovo gained three share points year-over-year and achieved a record-high market share of 14.4 percent. During the first quarter, Lenovo announced its new ThinkCentre M92p "tiny" desktop PC, the industry's first one-litre desktop measuring just the width of a golf ball (34.5mm). The ThinkCentre M92p exhibits an innovative tiny form factor allowing it to fit into practically any space while maintaining first-class productivity. In physical environments where space is limited, customers are particularly interested in the "tiny" desktops capabilities.

Having completed its first full-year of operations, Lenovo's **Mobile Internet Digital Home (MIDH)** group reported that sales increased 173 percent year-over-year during the first fiscal quarter to US\$587 million, comprising 7% of the Company's total sales revenue. Lenovo's smartphone shipments increased 44 times year-over-year, helping the Company achieve its first-ever double-digit smartphone market share at 11.2 percent. Lenovo's smartphone gains propelled the Company to improve its overall mobile phone business by 5.1 share points year-over-year to finish the quarter at a record-high 9.8 percent market share in China. Overall, Lenovo is now the second largest mobile phone vendor in China. During the first fiscal quarter, Lenovo announced its latest tablet, the IdeaTab S2109, designed for entertainment with features like four SRS surround-sound speakers. The Company also announced its first smart TV, the 55-inch K91 Smart TV in China, the world's Google-certified TV to adopt the Android 4.0 operating system.

*see IDC data 2Q 2012

** Year-over-year geographic comparisons restated from previous China, Mature Group and Emerging Markets Group

ABOUT LENOVO

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$30 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, 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 June 30, 2012

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

	Q1 12/13	Q1 11/12	Y/Y CHG
Sales	8,010	5,920	35%
Gross Profit	959	739	30%
Gross Profit Margin	12.0%	12.5%	-0.5pt
Operating Expenses	(777)	(616)	26%
Expenses-to-Revenue Ratio	9.7%	10.4%	-0.7pt
Operating Profit	182	123	48%
Other Non-Operating Income	3	0	NA
Pre-tax Income	185	123	50%
Taxation	(41)	(15)	178%
Profit for the period	144	108	33%
Non-controlling interests	(3)	0	NA
Profit Attributable to Equity Holders	141	108	30%
EPS (US cents)			
Basic	1.37	1.11	0.26
Diluted	1.33	1.08	0.25