

LENOVO REPORTS STRONG FIRST QUARTER 2013/14 RESULTS

Rapid PC Plus transformation fueled by solid growth from PC and PC Plus businesses

- **Ranked #1 PC maker in the world for the first time ever**
- **Ranked #3 supplier of smart-connected devices (smartphones, tablets and PCs) worldwide**
- **Pre-tax income of US\$215 million and earnings of US\$174 million**
- **Revenue of US\$8.8 billion**
- **Basic EPS of 1.67 US cents, or 12.96 HK cents**
- **Net cash reserves of US\$3.1 billion (as of June 30, 2013)**

Hong Kong, August 15, 2013– Lenovo Group today reported results for its first fiscal quarter ended June 30, 2013, with quarterly revenue of US\$8.8 billion, a ten percent increase year-over-year. At the same time, Lenovo’s first quarter pre-tax income increased 16 percent year-over-year to US\$215 million, while earnings grew 23 percent year-over-year to US\$174 million, highlighting the Company’s continued focus on leading in the PC Plus era, while growing its business profitably across all geographies, customer segments, and product lines.

For the first time ever, Lenovo was named the world’s largest PC vendor*, and in so doing, recorded its highest-ever quarterly market share of 16.7 percent up 1.7 points year-over-year. Lenovo’s PC shipments for the first fiscal quarter were 12.6 million units, the 17th quarter in a row that Lenovo outperformed the industry as a whole, which was down 11 percent year-over-year.

Lenovo continued to accelerate its transformation to a PC Plus company and during the first fiscal quarter was the third-largest supplier of smart-connected devices (including PC, smartphone and tablet products), growing shipments 41 percent year-over-year. Lenovo’s combined sales of smartphones and tablets surpassed PCs for the first time ever during the quarter, demonstrating the momentum of these two businesses. During the first quarter, Lenovo became the world’s fourth largest smartphone supplier and recorded the fastest growth among the top five vendors, growing 132 percent. The Company’s smartphone success was further demonstrated by its results in China, where Lenovo is now the second largest smartphone company, growing an impressive 121 percent year-over-year.

The Company’s gross profit for the first fiscal quarter increased 14 percent year-over-year to US\$1.2 billion, with gross margin at 13.6 percent. Operating profit for the quarter grew 11 percent year-over-year to US\$202 million. Basic earnings per share for the first fiscal quarter was 1.67 US cents, or 12.96 HK cents. Net cash reserves as of June 30, 2013, totaled US\$3.1 billion.

“In a tough PC market, Lenovo became the clear #1 for the first time and continues to improve profitability. Our strong performance in PC is fueled by balanced growth, through our consistent execution of the right strategy,” Yang Yuanqing, chairman and CEO, Lenovo. “While driving profitable growth in our core PC business, we are rapidly transforming our company into a PC Plus company. The PC Plus market requires fast, efficient innovation as it moves quickly from premium products to mainstream ones and from mature market domination to emerging market hyper growth. This kind of market plays to Lenovo’s proven strengths. Lenovo is now better positioned than our competition to take advantage of these clear trends. ”

GEOGRAPHIC OVERVIEW**

Lenovo **China** totaled US\$3.7 billion in revenue in the first fiscal quarter, an increase of 5.6 percent year-over-year, and accounting for 42 percent of the Company's worldwide revenue. Lenovo's increased revenue growth in China was driven in large part by the success of its smartphones and tablets, which together grew 76 percent year-over-year, and demonstrated the Company's continued transformation to a PC Plus company. During the first quarter, Lenovo further strengthened its number-one position in China, resulting in an industry-leading market share in China of 35.8 percent, as the Company continued to outpace its main rivals, particularly in the emerging cities and rural markets.

In the **Asia Pacific** region, Lenovo's revenue totaled US\$1.3 billion for the first quarter, or 15 percent of the Company's worldwide revenue. Lenovo's unit shipments in Asia Pacific declined 8.1 percent year-on-year as the Company strategically balanced between growth and profitability passing on certain non-profitable education deals in India for example. During the first quarter, Lenovo continued to gain share and solidify its number one position in Japan, the world's fifth largest PC market. In ASEAN, the Company demonstrated strong growth with record high market share of 11.9 percent. Lenovo is currently the second largest PC provider in the region with 13.2 percent market share.

Lenovo's PC revenue in **Europe/Middle East/Africa (EMEA)** increased an eye-opening 18 percent in the first fiscal quarter year-over-year to US\$1.9 billion, or 21 percent of Lenovo's worldwide revenue. During the quarter, Lenovo's PC shipments in EMEA increased 18 percent year-over-year in the quarter, compared to an overall industry decrease of PC shipments in the region of 22 percent. The Company recorded its highest-ever market share in the region of 13.2 percent, up significantly at 4.4 points year-over-year. In fiscal quarter one Lenovo achieved number one PC position in ten countries in the region, including Germany, and also became number one in Eastern Europe for the first time, further solidifying its number two position in the EMEA PC market.

Americas** revenue was US\$1.9 billion year-over-year for the first fiscal quarter, an increase of 29 percent year-over-year, comprising 22 percent of the Company's worldwide revenue. With strong results in both Brazil, the world's third-largest PC market and the U.S., Lenovo increased its market share in the Americas to 9.7 percent an all-time high for the region, up 2.1 points year-over-year, helping the Company maintain its number three position in the Americas PC market. In addition, Lenovo achieved double-digit market share in North America for the first time, benefiting by its strong growth in the U.S. commercial PC business, reporting a record-high share of 10.1 per cent. During the first fiscal quarter, Lenovo's PC shipments in the Americas increased 22 percent year-over-year in the quarter, compared to an overall industry decrease of PC shipments in the Americas of four percent.

During the first fiscal quarter, Lenovo signaled the return of PC manufacturing to the U.S. with the grand opening of Lenovo's manufacturing facility in Whitsett, North Carolina. The U.S. PC manufacturing line is capable of producing some of Lenovo's newest and most innovative Think-branded products, including ThinkCentre M92p Tiny desktop, ThinkPad Tablet 2, and the ThinkPad Helix convertible ultrabook.

The new U.S. PC manufacturing line arms Lenovo with the capability to deliver products with even greater efficiency and reliability to customers in North America, in addition to offering an expanded and more valuable set of PC-related services, including custom product configurations, imaging, asset tagging, bundling of products, and more.

PRODUCT OVERVIEW

During the first fiscal quarter, Lenovo's **Laptop** computers were the largest contributor to the Company's revenue worldwide, generating 52 percent of Lenovo's total revenue. Across the industry, laptop shipments were down 12.9 percent year-over-year. Despite such a tough environment, consolidated sales for Lenovo's laptop PC business worldwide in the first fiscal quarter totaled US\$4.5 billion, an increase of 4.7 percent year-over-year. The Company gained 1.9 share points and achieved a market share of 17.3 percent. During the first quarter, Lenovo announced several new laptops that have quickly become strong sellers including the ThinkPad T431s, the thinnest T series ever; Yoga 11s, a thin convertible that follows the popular Yoga 13 with its multi-mode capabilities in laptop, stand, tablet and tent modes; and several new touch-enabled Windows laptops, along with Lenovo Miix, consumer devices which are notable for their thin and lightweight designs.

Lenovo's **Desktop** PC shipments growth was flat worldwide year-over-year during the first fiscal quarter, compared to an overall industry decrease of 9.4 percent. As a result, Lenovo gained 1.5 share points year-over-year and achieved a market share of 16 percent. Consolidated sales of Lenovo desktop PCs decreased 2.8 percent year-over-year in the first quarter to US\$2.5 billion, or 28 percent of the Company's total revenue. During the first quarter, Lenovo began selling its new Horizon Table PC, an interpersonal computing device that brings people together in a totally new way, allowing up to four people to use it simultaneously, interacting with content and playing games with joysticks, strikers and dice. While Horizon has attracted all sorts of attention and industry buzz for its unique family-time Table PC mode, it also doubles as a user's high-performance, all-in-one 27-inch desktop.

Consolidated sales of Lenovo's **Mobile Internet Digital Home (MIDH)** products, including smartphones and tablets increased 105 percent year-over-year during the first fiscal quarter to US\$1.2 billion, representing 14 percent of the Company's total revenue during the quarter. In China, Lenovo's smartphone shipments increased significantly by 121 percent year-over-year, helping the company maintain its strong position as the second largest smartphone supplier in China. During the quarter, Lenovo announced that it would begin selling smartphones, including the new K900, the world's first smartphone based on Intel's Atom Z2580 processor in Malaysia, Saudi Arabia, Thailand, and the United Arab Emirates. In tablets, the Company continued its strong momentum, with unit shipments growing more than three times year-over-year, helped by the momentum of ThinkPad Tablet 2, popular with our commercial customers and Lenovo's seven-inch tablets, the A1000 and A3000, as well as the ten-inch A6000.

*see Gartner and IDC data 2Q 2013

**In previous quarters, Latin America results were included in the Asia Pacific section. Starting with this first quarter 21013/14 earnings report and going forward, Latin America results will be included under the Americas section.

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 June 30, 2013

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

	Q1 13/14	Q1 12/13	Y/Y CHG
Revenue	8,787	8,010	10%
Gross profit	1,191	1,047	14%
Gross profit margin	13.6%	13.1%	0.5pts
Operating expenses	(989)	(865)	14%
Expenses-to-revenue ratio	11.3%	10.8%	0.5pts
Operating profit	202	182	11%
Other non-operating income	13	3	296%
Pre-tax income	215	185	16%
Taxation	(45)	(41)	12%
Profit for the period	170	144	18%
Non-controlling interests	4	(3)	N/A
Profit attributable to equity holders	174	141	23%
EPS (US cents)			
Basic	1.67	1.37	
Diluted	1.65	1.33	