



[For immediate release]

## LENOVO REPORTS FIRST QUARTER 2008/09 RESULTS

- Quarterly sales of US\$4.2 billion, up 10%
- Quarterly EBITDA of US\$181 million
- Pre-tax income of US\$137 million
- Profit attributable to shareholders of US\$110 million, up 65%
- Basic EPS of 1.25 US cents, or 9.75 HK cents
- Net cash reserves of US\$1.8 billion (as of June 30, 2008)

*Above figures reflect continuing operations only (excludes mobile handset business)*

**HONG KONG, August 7, 2008**– Lenovo Group today reported results for its first fiscal quarter ended June 30, 2008. During the first quarter, Lenovo's worldwide PC shipments grew 14.6 percent, roughly in line with the industry average growth.

As previously announced, Lenovo completed the sale of its mobile handset business in March 2008 in order to better focus on its core PC business.

Consolidated sales for the quarter from continuing operations (excluding the mobile handset business) rose 10 percent year over year to US\$4.2 billion. The Group's gross profit margin for the first quarter reached 14.1 percent. Lenovo reported pre-tax income of US\$137 million from continuing operations. Profit attributable to shareholders for the quarter grew 65 percent to US\$110 million.

Basic earnings per share totaled 1.25 US cents, or 9.75 HK cents. Net cash reserves as of June 30, 2008, totaled US\$1.8 billion.

"Despite a softening global economy, we delivered solid gains in worldwide sales, PC shipments and profits, achieving our seventh consecutive quarter of profitable growth with positive operating results in our international business," said Chairman Yang Yuanqing. "Our improved E/R ratio also reflected progress in our operational efficiency. Looking forward, we will invest even greater effort and resources into the development of emerging markets and our consumer business, and ensure an effective execution of our strategies. As a Worldwide Partner of the International Olympic Committee and the exclusive technology equipment provider of the Beijing 2008 Summer Olympic Games, Lenovo is ready and will do our best to ensure the smooth operations of the comprehensive IT system we are providing to support the Games. We will fully leverage this unique opportunity to showcase the Lenovo brand on the world stage."

"In forging Lenovo's worldsourcing business model, we set out to bridge East and West by creating a unique culture built upon a solid foundation of execution excellence," said President and CEO William J. Amelio. "We are starting to reap major dividends from this strategy in terms of improved serviceability, margin and supply chain efficiency. As a result, Lenovo is growing across geographies and product lines, continuing to bolster its already strong position in both developed markets and, through our transaction-based sales model expertise, the fast-growing emerging markets, which today account for more than half of total sales."

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- Lenovo **Greater China** posted US\$1.7 billion in consolidated sales in the first fiscal quarter, up 22 percent, with growth of 17 percent in PC shipments. Despite the impacts from the devastating Sichuan earthquake and floods, Lenovo continues to lead the China market with a share of 27.9 percent on the strength of sales across product lines. The Greater China business accounted for 41 percent of total sales in the quarter.
- The **Americas** accounted for US\$1.1 billion in consolidated sales, or 26 percent of total sales. The performance of Lenovo's relationship business in the United States was impacted by continued weakness in the economic environment. However, the continued roll-out of transaction business in the United States drove the Group's PC shipments to grow in line with the market.
- In the Europe, Middle East and Africa region (**EMEA**), shipments increased 26 percent in the first fiscal quarter, driven by solid market growth and Lenovo's strong performance in the desktop market and transaction business. For the same period, consolidated sales totaled US\$904 million, or 21 percent of total sales.
- Shipments for the **Asia Pacific** business (excluding Greater China) increased 11 percent in the first fiscal quarter. Consolidated sales in Asia Pacific totaled US\$497 million in the first quarter, or 12 percent of total sales. To better capture the growth opportunities and improve performance in the India market, Lenovo has introduced improved business processes and strengthened leadership.

## PRODUCT OVERVIEW

- Lenovo's **Notebook** computers continued to be the largest contributor to total sales. Notebook shipments in the first fiscal quarter were up 33 percent year over year, and consolidated sales grew 17 percent to US\$2.4 billion, or 57 percent of total sales for the quarter. Growth was driven by increased adoption of notebook PCs worldwide and an expanded portfolio of Lenovo products introduced to meet growing demand.
- In the first fiscal quarter, Lenovo's **Desktop** shipments rose 3 percent year-over-year. Consolidated sales increased 3 percent to US\$1.7 billion in the quarter, or 41 percent of total sales. The Group continues to gain share in the worldwide desktop market.

## ABOUT LENOVO

Lenovo (HKSE: 992) (ADR: LNVGY) develops, manufactures and markets high-quality, secure and easy-to-use technology products and services worldwide and is dedicated to building the world's most innovative personal computers. Formed by Lenovo Group's acquisition of the former IBM Personal Computing Division, Lenovo's heritage in both emerging and developed markets has resulted in a New World Company business model where ideas, operations and resources are borderless and mobile. With four operational hubs in Beijing, Raleigh, Singapore and Paris, Lenovo has major research centers in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; and Raleigh, North Carolina. For more information, see [www.lenovo.com](http://www.lenovo.com)

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**LENOVO GROUP**  
**FINANCIAL SUMMARY**  
**For the fiscal quarter ended June 30, 2008**

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

	Q1 08/09	Q1 07/08	Y/Y % CHG
Continuing operations <sup>(1)</sup>			
Sales	4,213	3,813	10.5%
Gross Profit	595	565	5.2%
Gross Profit Margin	14.1%	14.8%	(0.7) pts
Operating Expenses	(469)	(433)	8.1%
Operating Expense to Revenue Ratio	11.1%	11.4%	(0.3) pts
Other Income, net	1	2	(51.5)%
Pre-Tax Income before restructuring and other non-operating income	127	134	(5.1)%
Other non-operating income / (expense) <sup>(2)</sup>	10	(2)	-
Restructuring Costs	-	(45)	-
Pre-Tax Income	137	87	57.1%
Loss from Discontinued Operations	-	(5)	-
Profit Attributable to Shareholders	110	67	65.3%
EPS (US cents)			
Basic	1.25	0.78	60.3%
Diluted	1.15	0.74	55.4%
EBITDA <sup>(1)(3)</sup>	181	182	(0.4)%

(1) Continuing operations include the PC business only. Mobile handset sales of US\$113 million in 1Q 2007/08 are classified as discontinued operations.

(2) Includes finance income, finance cost and share of profits/(losses) of associated companies.

(3) Excludes restructuring charges.