



LENOVO REPORTS SECOND QUARTER 2009/10 RESULTS

- **Quarterly sales of US\$4.1 billion**
- **Operating profit of US\$43 million** (excluding restructuring costs/one-off items)
- **Restructuring charge of US\$3 million**
- **Profit attributable to equity holders of US\$53 million**
- **Basic EPS of 0.59 US cent, or 4.57 HK cents**
- **Net cash reserves of US\$1.8 billion (as of September 30, 2009)**

BEIJING, CHINA, November 5, 2009– Lenovo Group today reported results for its second fiscal quarter ended September 30, 2009, reaching its highest worldwide market share ever, lowest expense to revenue since the acquisition, while achieving a return to profitability. During the second quarter, Lenovo's worldwide PC shipments grew 17 percent year-over-year. Comparatively, industry PC shipments increased 2.3 percent worldwide for the same period.

Consolidated sales for the second fiscal quarter decreased five percent year-over-year to US\$4.1 billion, but grew 19 percent over the previous quarter. The Company's gross profit for the second quarter declined 24 percent year-over-year, but grew 14 percent compared to the previous quarter, with gross margin at 10.6 percent.

With the strong volume growth and expense control efforts, the Company returned to profit in the second fiscal quarter. Operating profit was US\$43 million (excluding restructuring costs/one-off items), a more than two-and-a-half times improvement over the first fiscal quarter operating profit of US\$16 million. Pre-tax income was US\$30 million (excluding restructuring costs/one-off items) compared to the Company's breakeven first fiscal quarter (excluding restructuring costs/one-off items).

During the second fiscal quarter, Lenovo continued its previously announced worldwide restructuring program, designed to make the Company more cost competitive and operationally efficient. As a result of the restructuring, Lenovo expects to save approximately US\$300 million on an annual run-rate basis. The Company incurred a restructuring cost of US\$3 million in the second quarter.

The Company recorded one-off items representing the disposal gain of US\$38 million of some investments as other income.

The pre-tax income after taking into account of restructuring costs/one-off items was US\$65 million for the second fiscal quarter. Profit attributable to equity holders for the quarter was US\$53 million, an increase of more than double year-over-year, and compared to the Company's first fiscal quarter's loss attributable to equity holders of US\$16 million.

Basic earnings per share for the second fiscal quarter was 0.59 US cent, or 4.57 HK cents. Net cash reserves as of September 30, 2009, totaled US\$1.8 billion. The Board of Directors declared an interim dividend of 0.13 US cent, or 1.00 HK cent per share.

"Lenovo's second quarter results showed that the Company has the right strategy in place and is executing on that strategy. Our results are moving in the right direction and we are particularly pleased with our performance in China and in the transactional business model," said Lenovo Chairman Liu Chuanzhi. "We are starting to see positive signs that the worldwide economy is improving, and we will continue to focus on our long-term goal of growing our business profitably worldwide. The strategy we have set in motion will continue to help us produce the appropriate results, as long as we keep executing as we are capable, and carefully managing our costs."

"In the last quarter, our share in the global market climbed to a historic high and we returned to profit. At the same time, our expenses-to-revenue ratio improved notably, reaching the best level since the acquisition of IBM's PC division. These achievements bear witness to the clear strategies we set at the beginning of the year and our effective execution of those strategies," said Yang Yuanqing, Lenovo CEO. "In the coming quarters, we will continue to reinforce our leadership in China, improve the sustainability and profitability of mature markets, seize growth opportunities in emerging markets and our transactional business, continue to strengthen cost structure and innovate with raising efficiency and customers' needs in mind. We will remain steadfast in executing our proven strategies so as to drive long-term growth of Lenovo."

GEOGRAPHIC OVERVIEW

- Lenovo **China** posted US\$2.0 billion in consolidated sales in the second fiscal quarter, an increase of nine percent year-over-year, and accounting for 49 percent of the Company's worldwide sales. During the second quarter, Lenovo further strengthened its number-one position in China to an industry-leading market share of 29.4 percent. Lenovo's PC shipments in China increased 28 percent year-over-year in the quarter, exceeding the overall industry increase of PC shipments in China by 0.1 percentage point. During the second quarter, Lenovo increased its focus on PC sales in China's rural market, enhanced its product competitiveness in China's small/medium business (SMB) market, and made improvements in its supply/demand management process.
- In **Emerging Markets*** Lenovo's consolidated sales totaled US\$618 million for the second fiscal quarter, or 15 percent of the Company's worldwide sales. Lenovo's PC shipments across the region increased ten percent year-over-year in the second quarter, compared to an overall industry decrease of eight percent. Lenovo grew market share in most major markets in the region. Lenovo continued to grow its business in Latin America, Russia and Turkey as more customers in those geographies enter the PC market, particularly at entry-level price points where Lenovo is well-represented.
- **Mature Markets**** accounted for US\$1.5 billion in consolidated sales, or 36 percent of the Company's worldwide sales during the second fiscal quarter. Flat demand in commercial PC opportunities across Western Europe and North America resulted in a year-over-year increase of just 0.4 percent in Lenovo's PC shipments in mature markets during the second fiscal quarter. In North America,

PC shipments were up one percent year-over-year, and increased four percent over the previous quarter. In Western Europe, PC shipments were down year-over-year, but up 22 percent over the previous quarter. Western Europe also returned to profit during the second fiscal quarter. Lenovo also recorded strong shipment growth in Australia, Japan and New Zealand during the quarter.

PRODUCT OVERVIEW

- Lenovo's **notebook** computers continued to be the largest contributor to the Company's sales worldwide, generating 63 percent of Lenovo's total sales revenue. The Company's notebook shipments worldwide in the second fiscal quarter were up 37 percent year-over-year, compared to an industry increase of 16 percent. Consolidated sales for Lenovo's notebook PC business worldwide in the quarter totaled US\$2.6 billion, down one percent year-over-year. During the second fiscal quarter, the worldwide notebook PC market continued its move to lower price points, with netbooks easily capturing the lion's share of customer attention. Lenovo announced several new PC technologies during the second fiscal quarter, including a new thin and light ultraportable laptop for consumers, the IdeaPad U450p, and SimpleTap, an application designed to make touch-screen navigation simple on the new multi-touch screen ThinkPad X200 Tablet and the ThinkPad T400s laptop PC.
- Consolidated sales of Lenovo **desktop** computers worldwide decreased 13 percent year-over-year in the second fiscal quarter to US\$1.5 billion, or 35 percent of Lenovo's total sales revenue. Desktop shipments for the same period declined two percent, compared to an industry decrease of 12 percent. As the PC market continues its inevitable shift from desktop to laptop PCs, Lenovo has focused on its global supply chain to improve end-to-cost competitiveness and platform costs. In particular, the Company addressed entry-model price points in mature markets in the second fiscal quarter, and through its transaction model, refreshed its product line up for small/medium business (SMB). During the second fiscal quarter, Lenovo introduced its first home-theatre PC, the IdeaCentre Q700.

In addition, Lenovo also got a jumpstart on the industry during the second fiscal quarter with its September announcement of Lenovo Enhanced Experience for Windows 7, a certification only available on Lenovo products that consists of powerful features, tools and optimizations designed to improve performance and enhance the computing experience for customers running Windows 7 on Lenovo PCs.

ABOUT LENOVO

Lenovo (HKSE: 0992) (ADR: LNVGY) is dedicated to building exceptionally engineered PCs. Lenovo's business model is built on innovation, operational efficiency, and customer satisfaction as well as a focus on investment in emerging markets. 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 worldwide. Lenovo has major research centers in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; and Raleigh, North Carolina. For more information, see www.lenovo.com.

* includes Africa, Asia Pacific, Central/Eastern Europe, Hong Kong, India, Korea, Latin America, Mexico, Middle East, Pakistan, Russia, Taiwan, Turkey

**includes Australia/New Zealand, Israel, Japan, North America, Western Europe and global accounts

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LENOVO GROUP
FINANCIAL SUMMARY
For the second quarter ended September 30, 2009

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

	Q2 09/10	Q2 08/09	Y/Y % CHG
Sales	4,099	4,326	(5.2%)
Gross Profit	433	569	(23.9%)
Gross Profit Margin	10.6%	13.1%	(2.5 pts)
Operating Expenses ⁽¹⁾	(390)	(510)	(23.5%)
Expenses-to-Revenue Ratio ⁽¹⁾	9.5%	11.8%	(2.3pt)
Operating Profit ⁽¹⁾	43	59	(27.1%)
Other Non-Operating (Expenses) / Income	(13)	4	
Pre-tax Income ⁽¹⁾	30	63	(52.4%)
Restructuring Cost	(3)	(24)	(87.5%)
Other Income, net	38	(0)	
Pre-Tax Income	65	39	66.2%
Taxation	(12)	(16)	(24.0%)
Profit Attributable to Equity Holders	53	23	130.4%
EPS (US cents)			
Basic	0.59	0.27	
Diluted	0.55	0.25	

(1) Excludes restructuring costs & other income, net.