

[For immediate release]

## LENOVO REPORTS SECOND QUARTER 2008/09 RESULTS

- **Quarterly sales of US\$4.3 billion**
- **Quarterly EBITDA of US\$107 million**
- **Pre-tax income of US\$39 million**
- **Profit attributable to shareholders of US\$23 million**
- **Basic EPS of 0.27 US cents, or 2.10 HK cents**
- **Net cash reserves of US\$1.5 billion (as of September 30, 2008)**

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

**HONG KONG, November 7, 2008** – Lenovo Group today reported results for its second fiscal quarter ended September 30, 2008. During the second quarter, Lenovo's worldwide PC shipments grew 7.4 percent, which lagged industry shipment growth due to weakened commercial and public sector PC demand and slower growth in the China market.

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 of US\$4.3 billion for the quarter from continuing operations (excluding the mobile handset business) were flat year over year. The Group's gross profit margin for the second quarter was 12.6 percent. Lenovo reported pre-tax income of US\$39 million (including a US\$24 million restructuring charge) from continuing operations. Profit attributable to shareholders for the quarter totaled US\$23 million.

Basic earnings per share totaled 0.27 US cents, or 2.10 HK cents. Net cash reserves as of September 30, 2008, totaled US\$1.5 billion. Lenovo's board of directors has declared an interim dividend of 3.0 HK cents, or approximately 0.39 US cents per share.

"Due to the impact of the global economic downturn, and a shortfall in the execution of our strategic plan, Lenovo's performance in the second quarter did not meet our expectations," said Lenovo Chairman Yang Yuanqing. "Going forward, we will address the situation by optimizing our operating structure to improve efficiency and reduce expenses, to increase our focus on execution, and to accelerate growth in emerging markets and the consumer sector."

"Under these adverse market conditions, balancing growth and profitability are equally critical. This means that we must respond by aggressively pursuing growth opportunities while continuing to manage our operating structure even more efficiently," said President and CEO William J. Amelio. "It's important to remember that Lenovo has a strong, proven global engine for innovation, and a worldview that is built for exactly the kind of economic, social and political conditions we see today. We have a business strategy that is solid and fundamentally strong, and we intend to stay the course that has proven successful over the long term."

- **Lenovo Greater China** posted US\$1.90 billion in consolidated sales in the second fiscal quarter, up 11 percent, with growth of 12 percent in PC shipments. Despite the impact from natural disasters occurring earlier in the year and softer consumer demand, the Group continues to lead the China market with a share of 29.2 percent on the strength of sales across product lines. The Group's Greater China business accounted for 44 percent of total sales in the quarter.

- The **Americas** accounted for US\$1.1 billion in consolidated sales, or 25 percent of the Group's total sales during the quarter. Shipments for the Americas were down 4 percent in the quarter. Slowing commercial demand and aggressive competitive pricing impacted profitability in the geography. Lenovo's Monterrey, Mexico manufacturing plant is now fully operational, contributing to a more streamlined and efficient regional supply chain.
- In the Europe, Middle East and Africa region (**EMEA**), consolidated sales totaled US\$890 million during the second fiscal quarter, or 20 percent of total sales. Lenovo delivered strong year-on-year PC shipments growth of 18 percent in EMEA, driven by solid market growth and by the Group's strong performance in the desktop market, the mid-market segment, and its transaction business.
- Consolidated sales for the **Asia Pacific** business (excluding Greater China) totaled US\$467 million in the second quarter, or 11 percent of total sales. The Asia Pacific business reported a 10 percent year-on-year decrease in PC shipments, due primarily to execution issues in India and Japan. Lenovo has initiated performance improvement actions in both countries, with India already seeing a return to positive growth and Japan expected to follow.

## PRODUCT OVERVIEW

Lenovo's **Notebook** computers continued to be the largest contributor to total sales. Notebook shipments in the second fiscal quarter were up 21 percent year over year, and consolidated sales grew 4 percent to US\$2.6 billion, or 60 percent of total sales for the quarter. Lenovo only recently began notebook shipments in the entry-level segment and consumer market outside of China, impacting its overall performance compared to the market.

In the second fiscal quarter, Lenovo's **Desktop** shipments decreased 3 percent year-on-year, in line with the market. Consolidated sales decreased 5 percent to US\$1.7 billion in the quarter, or 38 percent of total sales.

## 2008/09 INTERIM RESULTS

For the six months ended September 30, 2008, consolidated sales increased 5 percent year over year to US\$8.5 billion. During the first half of the fiscal year, Lenovo's PC shipments grew approximately 5% year over year. In the same period, pre-tax income (excluding restructuring charges taken during the six-month period) totaled US\$200 million. Lenovo reported profit attributable to shareholders of US\$134 million and basic earnings per share for the interim 2008/09 period of 1.51 US cents, or 11.73 HK cents.

## 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 and interim period ended September 30, 2008**

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

|   | Q2<br>08/09 | Q2<br>07/08 | Y/Y<br>%<br>CHG | Interim<br>Period<br>08/09 | Y/Y<br>%<br>CHG |
|---|-------------|-------------|-----------------|----------------------------|-----------------|
| Continuing operations <sup>(1)</sup>  |             |             |                 |                            |                 |
| Sales   | 4,326       | 4,310       | 0.4%            | 8,539                      | 5.1%            |
| Gross Profit  | 545         | 645         | (15.4)%         | 1,140                      | (5.8)%          |
| Gross Profit Margin   | 12.6%       | 15.0%       | (2.4) pts       | 13.4%                      | (1.5) pts       |
| Operating Expenses  | 492         | 523         | (6.0)%          | 960                        | 0.5%            |
| Operating Expense-to-Revenue<br>Ratio   | 11.4%       | 12.1%       | (0.8) pts       | 11.2%                      | (0.5) pts       |
| Other Income / (Expense), net   | -           | -           | n/a             | -                          | n/a             |
| Pre-Tax Income before<br>restructuring and other non-<br>operating income / (expense) | 53          | 122         | (55.9)%         | 181                        | (29.3)%         |
| Other non-operating income /<br>(expense) <sup>(2)</sup>                              | 10          | 5           | 90.1%           | 19                         | 569%            |
| Restructuring Costs   | 24          | 2           | 1,270%          | 24                         | (48.5)%         |
| Pre-Tax Income  | 39          | 125         | (68.7)%         | 176                        | (17.0)%         |
| Loss from Discontinued Operations   | -           | 2           | n/a             | -                          | n/a             |
| Profit Attributable to Shareholders   | 23          | 105         | (77.7)%         | 134                        | (22.2)%         |
| EPS (US cents)  |             |             |                 |                            |                 |
| Basic   | 0.27        | 1.22        | (78.8)%         | 1.51                       | (24.3)%         |
| Diluted   | 0.25        | 1.12        | (78.6)%         | 1.38                       | (25.8)%         |
| Dividend per share (HK cents)   |             |             |                 | 3.0                        | 0%              |
| EBITDA <sup>(1)(3)</sup>  | 107         | 210         | (48.9)%         | 288                        | (26.4)%         |

(1) Continuing operations include the PC business only. Mobile handset sales of US\$113 million in 1Q 2007/08 and US\$122 million in 2Q 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.