



LENOVO REPORTS FIRST QUARTER 2009/10 RESULTS

- Quarterly sales of US\$3.5 billion
- Operating profit of US\$16 million, pre-tax income of US\$322K (excluding restructuring costs/one-off items)
- Restructuring charge of US\$3 million
- Loss attributable to equity holders of US\$16 million
- Basic EPS of (0.18) US cents, or (1.40) HK cents
- Net cash reserves of US\$1.4 billion (as of June 30, 2009)

HONG KONG, August 6, 2009– Lenovo Group today reported results for its first fiscal quarter ended June 30, 2009. During the first quarter, Lenovo's worldwide PC shipments grew 1.1 percent year over year. Comparatively, industry PC shipments declined 3.3 percent worldwide for the same period.

Consolidated sales for the first fiscal quarter decreased 17.9 percent year over year to US\$3.5 billion. The Company's gross profit for the quarter declined 37 percent year over year, with gross margin at 11 percent.

Operating profit for the first fiscal quarter was US\$16 million (excluding restructuring costs/one-off items) an improvement over the previous fiscal quarter loss of US\$76 million. Lenovo reported a breakeven first quarter pre-tax income of US\$322K (excluding restructuring costs/one-off items) compared to the Company's previous quarterly loss of US\$81 million. The loss attributable to equity holders for the quarter was US\$16 million, compared to the Company's previous fiscal quarter's loss attributable to equity holders of US\$264 million.

During the first 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 first quarter.

Basic loss per share for the first fiscal quarter was (0.18) US cents, or (1.40) HK cents. Net cash reserves as of June 30, 2009, totaled US\$1.4 billion.

"There was little doubt that this year was going to be a challenge to our industry, but we are encouraged that some of the recent actions we have taken are helping our business get off to a hopeful start during the first quarter," said Lenovo Chairman Liu Chuanzhi. "Our expectations for growing our business profitably worldwide remain solidly in place, and while there is a tremendous amount of work yet to be done to get our business to where it needs to be, the changes we are making will help strengthen our ability to go after new markets as global economic conditions improve."

"The decisive actions we took last quarter to align our business with changing market conditions and extend our transactional business model globally have started to pay off. As a result, Lenovo achieved its highest quarterly global market share since the



acquisition of IBM's PC division," said Yang Yuanqing, Lenovo CEO. "With the global economic environment still unstable, we will continue to extend our leadership in China, strive to restore profitability in mature markets, and also seize opportunities in emerging markets and the transactional space. Furthermore, we will continue to optimize our cost structure and diligently implement our strategies, designed to drive long-term profit growth and development of Lenovo."

GEOGRAPHIC OVERVIEW

- Lenovo **China** posted US\$1.7 billion in consolidated sales in the first fiscal quarter, accounting for 48 percent of the Company's worldwide sales. During the quarter, Lenovo further strengthened its number-one position in China by 0.3 percentage point, which resulted in an industry-leading market share in China of 28.6 percent. Lenovo's PC shipments in China increased 15 percent year over year in the quarter, exceeding the increase of PC industry shipments in China of 14 percent overall.
- In **Emerging Markets*** Lenovo's consolidated sales totaled US\$474 million for the first fiscal quarter, or 14 percent of the Company's worldwide sales. Lenovo's PC shipments across the region decreased six percent year over year in the quarter. Sales growth in the region was stalled by Lenovo's lack of penetration in the consumer market. Notably, Lenovo showed improvement in some Southeast Asian and Pacific Rim countries, and grew market share in Latin America, Russia and Turkey.
- **Mature Markets**** accounted for US\$1.3 billion in consolidated sales, or 38 percent of the Company's worldwide sales during the first fiscal quarter. Sluggish demand in commercial PC opportunities across Western Europe and North America resulted in a year over year decrease of 17 percent in Lenovo's PC shipments in mature markets during the quarter. However, Lenovo made significant progress in restoring profitability by reducing its losses in North America, Australia/New Zealand and Japan.

PRODUCT OVERVIEW

- Lenovo's **Notebook** computers continued to be the largest contributor to the Company's sales worldwide, generating 64 percent of Lenovo's total sales revenue. Consolidated sales for Lenovo's notebook PC business worldwide in the first fiscal quarter totaled US\$2.2 billion, down nine percent year over year. The Company's notebook shipments worldwide in the quarter were up 21 percent year over year. Lenovo is well placed to take advantage of the industry shift to lower-priced notebook PCs and continued to roll out new IdeaPad netbooks such as the S10-2. Also announced in the first quarter was the new ThinkPad T400s, with its well-received 'Esc' and 'Delete' keys redesign.



- Consolidated sales of Lenovo **Desktop** computers worldwide decreased 32 percent year over year in the first fiscal quarter to US\$1.2 billion, or 34 percent of Lenovo's total sales revenue. Desktop shipments for the same period declined 15 percent. Across the world, the market continued to shift from desktops to notebooks, and Lenovo continued to simplify its desktop product portfolio to drive operational efficiencies and reduce cost. During the first quarter Lenovo introduced the all-in-one IdeaCentre C300, a value net-top PC.

ABOUT LENOVO

Lenovo (HKSE: 992) (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 fiscal quarter ended June 30, 2009

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

	Q1 09/10	Q1 08/09	Y/Y % CHG
Sales	3,457	4,213	(17.9%)
Gross Profit	380	601	(36.7%)
Gross Profit Margin	11.0%	14.3%	(3.3 pts)
Operating Expenses ⁽¹⁾	(366)	(469)	(21.9%)
Operating Expense Margin ⁽¹⁾	10.6%	11.1%	(0.5 pt)
Other Income, net	2	1	48.8%
Operating Profit ⁽¹⁾	16	133	(88.2%)
Other Non-Operating (Expenses) / Income	(15)	4	n/a
Pre-tax Income ⁽¹⁾	0	137	n/a
Restructuring Cost	(3)	-	n/a
One-off Items	-	-	n/a
Pre-Tax (Loss)/Income	(2)	137	n/a
(Loss)/Profit Attributable to Equity Holders	(16)	110	n/a
EPS (US cents)			
Basic	(0.18)	1.25	
Diluted	(0.18)	1.15	

(1) Excludes restructuring costs & one-off items