



## LENOVO REPORTS THIRD QUARTER 2009/10 RESULTS

- Quarterly sales of US\$4.8 billion
- Operating profit of US\$99 million
- Highest ever worldwide market share of nine percent
- Lowest ever (post-acquisition) E/R ratio of nine percent
- Profit attributable to equity holders of US\$80 million
- Basic EPS of 0.86 US cent, or 6.67 HK cents
- Net cash reserves of US\$2.4 billion (as of December 31, 2009).

HONG KONG, February 4, 2010 – Lenovo Group today reported results for its third fiscal quarter ended December 31, 2009. During the third quarter, Lenovo's worldwide PC shipments increased 42 percent year-over-year, helping the Company to achieve for the third straight quarter its highest market share ever at nine percent. Comparatively, industry PC shipments increased 17 percent worldwide during the same period.

For the third straight quarter, Lenovo achieved its lowest expense to revenue ratio since the acquisition at nine percent, and recorded its second straight quarter of profitability since last year's restructuring.

Consolidated sales for the third fiscal quarter increased a record 33 percent year-over-year to US\$4.8 billion. The Company's gross profit for the third quarter grew 45 percent year-over-year, with gross margin at 11.1 percent. By comparison, gross margin for the same reporting period last year was 10.2 percent.

Operating profit for the third fiscal quarter was US\$99 million, double the profit of the previous quarter. The Company recorded one-off expense items of US\$43 million as well as a net gain of US\$43 million from the disposal of its investments during the quarter. As a result, the Group recorded a profit before tax of US\$94 million. Profit attributable to equity holders for the quarter was US\$80 million, almost a complete reversal year-over-year, when compared to the Company's 2008/09 third fiscal quarter's loss attributable to equity holders of US\$97 million.

Basic earnings per share for the third fiscal quarter was 0.86 US cent, or 6.67 HK cents. Net cash reserves as of December 31, 2009, totaled US\$2.4 billion.

During the third fiscal quarter, Lenovo announced its intention to acquire the entire interest of Lenovo Mobile Communication Technology Ltd. from a group of investors led by Hony Capital, the private equity arm of Legend Holdings, for consideration of approximately US\$200 million in cash and Lenovo shares. This acquisition, which has since been approved by the independent shareholders of the Company, signaled Lenovo's intention to immediately expand its participation in the rapidly expanding mobile Internet device market in China.

"The Board is especially satisfied with the performance of Lenovo in this quarter. This is not only because of its outstanding performance, but also of the impressive successes of our new products launched last month at the CES. The Lenovo management is forward-looking and strong in strategic planning. It has already started to deploy a development strategy that integrates innovation into business model, technology and management," said Lenovo Chairman Liu Chuanzhi. "Mobile Internet is a growing demand worldwide. In China, the government is currently driving the convergence of the three networks (telecom, broadcast and the Internet) by formulating new standards. This gives the computer industry, especially Lenovo, significant opportunities for development."

"For the first time since the acquisition of IBM PCD, Lenovo was the fastest growing PC company in the world. We have achieved our highest ever global market share for the third straight quarter and notably increased profitability. These achievements demonstrated the effectiveness of the strategies we mapped out at the beginning of the year," said Yang Yuanqing, Lenovo CEO. "In the future, while we continue to expand our PC business, we also want to attack the mobile internet category to drive growth and capitalize our innovation efforts"

## GEOGRAPHIC OVERVIEW

- **Lenovo China's** market share rose 2.8 percentage points during the third fiscal quarter, the Company's largest single-quarter market share increase in nine years, to an all-time high market share for Lenovo in China of 33.5 percent. Lenovo posted US\$2.3 billion in consolidated sales in China in the third quarter, an increase of 45 percent year over year, and accounting for 47 percent of the Company's worldwide sales. Lenovo's PC shipments in China increased 54 percent year-over-year, growing faster than the overall industry increase of PC shipments in China of 41 percent. Lenovo continued to be well-positioned to satisfy the increased demand for innovative technologies as a result of the government's stimulus programs, particularly for new customers in the rural areas of China. In addition, the Company released several new consumer models during the quarter which have started to gain sales traction.
- In **Emerging Markets\*** Lenovo's consolidated sales totaled US\$857 million for the third fiscal quarter, an increase of 53 percent year-over-year, and 18 percent of the Company's worldwide sales. Lenovo's PC shipments across the region increased 52 percent year-over-year in the third quarter, compared to an overall industry increase of 19 percent. Lenovo grew market share by 1.2 percentage points across the region. In India, where Lenovo grew PC shipments by 54 percent during the third quarter, Lenovo focused on introducing new products, improving business systems and strengthening its channel partnerships. As one of the cornerstones of Lenovo's strategy, the Company was particularly focused on increasing PC shipments in Emerging Markets and recorded all-time high shipment increases, with significant growth in Russia, Asia Pacific, the Middle East, and Turkey.
- **Mature Markets\*\*** accounted for US\$1.7 billion in consolidated sales, an increase of 13 percent year-over-year, and 35 percent of the Company's worldwide sales during the third fiscal quarter. Increased demand in commercial PC opportunities across Western Europe and North America resulted in a year-over-year 16 percent increase in Lenovo's PC shipments in mature markets during the third quarter, compared to an overall industry growth rate of 10 percent. Lenovo grew market share across the Mature Markets by 0.2 percentage points, with Australia/New Zealand and Japan gaining 1.7 and 1.5 share points respectively. In Western Europe, Lenovo's share was up slightly year-over-year, but was down slightly year-over-year in North America. Lenovo significantly improved its profitability in Mature Markets during the third fiscal quarter.

## PRODUCT OVERVIEW

- Consolidated sales for Lenovo's **notebook** PC business worldwide in the third fiscal quarter totaled US\$3.0 billion, an increase of 46 percent year-over-year. Lenovo's notebook computers continued to be the largest contributor to the Company's sales worldwide, generating 62 percent of Lenovo's total sales revenue. The Company's notebook shipments worldwide in the third quarter were up 68 percent year-over-year, compared to an industry increase of 32 percent. During the third fiscal quarter, the worldwide notebook PC market was encouraged by the introduction of Windows 7 and Lenovo got off to a fast start with a host of new IdeaPad consumer laptops designed to take advantage of Microsoft's new operating system. The Company also introduced the new ThinkPad Edge and X100e laptops as we entered the new year. The industry continued its recent trend of moving to lower-priced units, and

Lenovo introduced new netbooks during the quarter to ensure that the Company is positioned appropriately.

- Lenovo's **desktop** shipments for the third fiscal quarter increased 18 percent year-over-year, compared to an industry decrease of one percent. Consolidated sales of Lenovo desktop computers worldwide in the third quarter totaled US\$1.7 billion, or 36 percent of Lenovo's total sales revenue. During the third quarter, Lenovo introduced several new IdeaCentre consumer desktops, as well as the Company's first all-in-one for commercial customers, the ThinkCentre A70z. The PC market continued to experience customers shifting in greater numbers from desktop to laptop PCs, and accordingly, Lenovo has implemented Lean Six Sigma throughout its global supply chain, and worked closely with our suppliers, to deliver end-to-end cost improvements.

Lenovo recently demonstrated its innovation prowess across all its lines of business, including mobile Internet devices, by introducing new IdeaPad and ThinkPad laptop PCs, including models based on both Intel and AMD processors, the new IdeaCentre A300 all-in-one desktop PC, the new Qualcomm-based Skylight smartbook, the new Lenovo smartphone in China, and the new IdeaPad U1 hybrid PC, featuring a ground-breaking detachable screen. The U1 hybrid came away with a host of awards at the 2010 Consumer Electronics Show (CES) held in Las Vegas last month, and was the convincing 'star' of the show.

#### **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](http://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 third quarter ended December 31, 2009**  
(in US\$ millions, except per share data)

	Q3 09/10	Q3 08/09	Y/Y CHG
Sales	4,784	3,591	33.2%
Gross Profit	531	365	45.5%
Gross Profit Margin	11.1%	10.2%	0.9pts
Operating Expenses <sup>(1)</sup>	(431)	(457)	(5.7%)
Expenses-to-Revenue Ratio <sup>(1)</sup>	9%	12.7%	(3.7pt)
Operating Profit/(Loss) <sup>(1)</sup>	99	(91)	n/a
Other Non-Operating (Expenses)/ Income	(6)	1	n/a
Pre-tax Income/(Loss) <sup>(1)</sup>	93	(90)	n/a
One-off Items	(43)	(6)	6.2x
Other Income, net	43	-	n/a
Pre-tax Income/(Loss)	94	(96)	n/a
Taxation	(14)	(1)	13x
Profit/(Loss) Attributable to Equity Holders	80	(97)	n/a
EPS (US cents)			
Basic	0.86	(1.09)	
Diluted	0.79	(1.09)	

(1) Excludes one-off items