



## **LENOVO REPORTS FIRST QUARTER 2010/11 RESULTS**

- **First ever double-digit market share worldwide of 10.2 percent**
- **Quarterly sales of US\$5.1 billion**
- **Pre-tax income of US\$75 million**
- **Profit attributable to equity holders of US\$55 million**
- **Basic EPS of 0.57 US cent, or 4.43 HK cents**
- **Net cash reserves of US\$2.2 billion (as of June 30, 2010)**

**Hong Kong, August 19, 2010**– Lenovo Group today reported results for its first fiscal quarter ended June 30, 2010, and for the third quarter in a row, Lenovo was the fastest growing of the top five PC manufacturers. During the first quarter, Lenovo achieved for the first-time ever, double-digit market share worldwide, and recorded its lowest-ever quarterly expense-to-revenue ratio. It was also the fifth consecutive quarter that Lenovo outgrew the industry.

During the first fiscal quarter, Lenovo's worldwide PC shipments increased 48.1 percent year-over-year, compared to the industry's growth rate of approximately 20.9 percent worldwide for the same period.

Consolidated sales for the first fiscal quarter increased 49.6 percent year-over-year to US\$5.1 billion. The Company's gross profit for the quarter increased 38.6 percent year-over-year to US\$523 million, with gross margin at 10.2 percent.

Operating profit for the first fiscal quarter was US\$82 million (excluding a US\$1 million restructuring cost), a five times improvement over the same period last year. Lenovo reported a first quarter pre-tax income of US\$75 million. Profit attributable to equity holders for the quarter was US\$55 million, a US\$71 million improvement year-over-year. Basic earnings per share for the first fiscal quarter was 0.57 US cent, or 4.43 HK cents. Net cash reserves as of June 30, 2010 totaled US\$2.2 billion.

During the first fiscal quarter, Lenovo delivered its much-anticipated Lenovo smartphone to customers in China, the first smartphone product launched by the Company following the early 2010 acquisition of Lenovo Mobile, and the first product in Lenovo's expanding portfolio of mobile internet devices.

"Following our outstanding achievement of the past financial year, Lenovo achieved an excellent first fiscal quarter based upon our original projections. Our performance was strong globally, Lenovo has a clear strategy when and where to focus on gaining share, and when and where to focus on maximizing profit, and we executed that strategy well," said Lenovo Chairman Liu Chuanzhi. "Lenovo's management team continues to focus on executing our strategy, and despite the ongoing challenges and uncertainties of the world's economy, I firmly believe that Lenovo's future is bright."

"With the right strategy and effective execution, Lenovo achieved its first ever double-digit PC market share worldwide, and was the fastest growing of the top five PC companies for the third consecutive quarter. We also delivered a solid start to our new mobile Internet business. We saw significant improvement in our profitability and our lowest-ever quarterly expense-to-revenue ratio. All these indicators represent a good start to the new fiscal year." said Lenovo CEO Yang Yuanqing, "Looking ahead, we are confident that through the consistent strong execution of the

strategies we have in place, together with continuing to drive our innovation competitiveness, business model and branding, we can continue to outgrow the market, and sustain our strong momentum."

## **GEOGRAPHIC OVERVIEW**

- Lenovo **China** grew its consolidated sales in the first fiscal quarter by 50 percent year-over-year to US\$2.5 billion, accounting for 48.7 percent of the Company's worldwide sales. During the quarter, Lenovo further strengthened its number-one position in China to an industry-leading market share in China of 28.7 percent. Lenovo's PC shipments in China increased 42.8 percent year-over-year in the quarter, exceeding the overall industry increase of PC shipments in China of 30.9 percent. During the quarter, the Company extended its channel structure in China to include more Tier5/6 cities, and more small/medium (SMB) business partners.
- In **Emerging Markets\*** Lenovo's consolidated sales doubled from that of a year ago, totaling US\$821 million for the first fiscal quarter, or 16 percent of the Company's worldwide sales. Lenovo's PC shipments across the region increased a whopping 69 percent year-over-year in the first quarter, compared to an overall industry increase of 26 percent. Of particular note, Lenovo grew its business significantly in Russia, India and Latin America among others, and as a result, saw its market share across the region increase by 1.4 points year-over-year.
- Consolidated sales in **Mature Markets\*\*** grew 38.5 percent year-over-year in the first fiscal quarter to US\$1.8 billion, or 35.3 percent of the Company's worldwide sales. Lenovo's PC shipments in the region increased 48.7 percent during the first quarter, significantly outperforming the overall market which grew 14.5 percent year-over-year. Lenovo grew its market share by 1.3 points year-over-year in the region and continued its focus on reducing expenses. Across the region, the Company was well positioned to serve business customers looking to re-start the PC refresh cycle.

## **PRODUCT OVERVIEW**

- Lenovo's **Laptop** computers generated 60.5 percent of the Company's total sales revenue worldwide in the first fiscal quarter. Consolidated sales for Lenovo's laptop PC business worldwide in the first quarter increased 50 percent year-over-year, helping Lenovo move from sixth to fourth place among the world's leading laptop vendors. The Company's laptop shipments worldwide in the quarter were up 58 percent, compared to an overall industry increase of 28 percent year over year. Lenovo announced its first 3D multi-media laptop, the IdeaPad Y560d featuring TriDef 3D technology including 3D screen, software and glasses. Also announced in the first quarter was the ThinkPad L series, low-cost rugged laptops for business, government and education customers.
- Consolidated sales of Lenovo **Desktop** computers worldwide increased 35 percent year-over-year in the first fiscal quarter, or 33.2 percent of Lenovo's total

sales revenue. Desktop shipments for the same period increased 36 percent, compared to an overall industry increase of 13 percent. Lenovo led the industry resurgence of all-in-one desktops with its first quarter introduction of the ThinkCentre M90z, a full-performance business desktop in a 23-inch display. During the first quarter, Lenovo also introduced the IdeaCentre A700 all-in-one, a stylish multi-media consumer desktop PC, and the IdeaCentre B305 all-in-one for more mainstream performance.

- Since the launch in China of **Lenovo Mobile**'s first 3G smartphone mid-way through the first fiscal quarter, the Lenovo smartphone has received rapid and widespread customer acceptance and initial sales have been encouraging. During the quarter, Lenovo Mobile remained the number one domestic handset brand in China.

#### **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 fiscal quarter ended June 30, 2010**

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

	<b>Q1 10/11</b>	<b>Q1 09/10</b>	<b>Y/Y % CHG</b>
Sales	5,147	3,441	49.6%
Gross Profit	523	377	38.6%
Gross Profit Margin	10.2%	11%	-0.8pts
Operating Expenses*	(441)	(363)	21.3%
Expenses-to-Revenue Ratio*	8.6%	10.6%	-2pts
Other Income, net	0	2	-100%
Operating Profit*	82	16	428%
Other Non-operating Expenses, net	(6)	(15)	-61.4%
Pre-tax Income*	76	0	n/a
Restructuring Cost	(1)	(3)	-55.6%
Pre-tax Income/(Loss)	75	(2)	n/a
Taxation	(20)	(14)	51.1%
Profit/(Loss) Attributable to Equity Holders	55	(16)	n/a
EPS (US cents)			
Basic	0.57	(0.18)	n/a
Diluted	0.54	(0.18)	n/a

\* Excludes restructuring cost