



LENOVO REPORTS SECOND QUARTER 2010/11 RESULTS

- **Record market share of 10.4 percent**
- **Quarterly sales of US\$5.8 billion**
- **Pre-tax income of US\$102 million**
- **Profit attributable to equity holders of US\$77 million**
- **Basic EPS of 0.81 US cents, or 5.45 HK cents**
- **Net cash reserves of US\$2.3 billion (as of September 30, 2010)**

BEIJING, CHINA, November 10, 2010 – Lenovo Group today reported results for its second fiscal quarter ended September 30, 2010, and for the fourth quarter in a row, Lenovo delivered solid execution, helping the Company grow faster than any of the top four PC manufacturers. With its continued focus on balanced growth across all markets, product lines and customer segments, Lenovo recorded its highest-ever worldwide quarterly market share of 10.4 percent, and gained share points in China, mature markets and emerging markets alike. For the sixth quarter in a row, the Company grew faster than the industry.

During the second fiscal quarter, Lenovo's worldwide PC shipments grew 33 percent year-over-year, compared to an industry growth rate worldwide of approximately 9.7 percent.

Consolidated sales for the second fiscal quarter increased 41 percent year-over-year to US\$5.8 billion. The Company's gross profit for the second quarter increased 37 percent year-over-year to US\$593 million, with gross margin at 10.3 percent.

Operating profit for the second fiscal quarter was US\$108 million (excluding a US\$1 million restructuring cost), more than double the amount from the second quarter last year. Lenovo reported a second quarter pre-tax income of US\$102 million, an increase of 57% year-over-year. Profit attributable to equity holders for the second fiscal quarter was US\$77 million, a 45 percent increase year-over-year.

Basic earnings per share for the second fiscal quarter was 0.81 US cents, or 5.45 HK cents. Net cash reserves as of September 30, 2010, totaled US\$2.3 billion. The Board of Directors declared an interim dividend of 2.6 HK cents per share.

"Lenovo continued to deliver excellent results, highlighting the balance in our business. In line with our "Protect-Attack" strategy, the China, mature markets and emerging markets have all been growing steadily. There are three aspects that the Board is particularly satisfied with. First: management's visionary decision to increase investment in R&D and brand building. Second: the leadership team, who are working effectively and efficiently, with good rapport. Third: Lenovo's culture of meeting commitments and taking ownership is being embraced and fully adopted by our employees worldwide," said Lenovo Chairman Liu Chuanzhi. "When a company has a solid leadership team, the right strategy, and a strong corporate culture, this company will be sustainable and enduring. Lenovo continues moving in this direction."

“With the right strategy and strong execution, we not only maintained strong growth and good profitability in China, our business in emerging markets also became our new growth engine and our business in mature markets became our profit engine. This led to balanced growth of the company across the board.” said Yang Yuanqing, CEO, Lenovo. “Looking forward, we will continue to increase our competitiveness in innovation, business models, and branding. With the effective execution of our strategy, we are confident that we can continue to outgrow the market.”

GEOGRAPHIC OVERVIEW

- Lenovo **China** posted US\$2.6 billion in consolidated sales (includes Lenovo Mobile sales) in the second fiscal quarter, an increase of 32 percent year over year, accounting for 46 percent of the Company’s worldwide sales. During the second quarter, Lenovo maintained its number-one position in China with a market share of 28.8 percent, up 2.3 points year-over-year. Lenovo’s PC shipments in China grew 21 percent year-over-year in the quarter, double the overall industry increase of PC shipments in China of 12 percent. During the second fiscal quarter, Lenovo continued its focus on strengthening its distribution and retail partnerships, as well as introducing several new products designed specifically for customers in China.
- In **Emerging Markets*** For the first-time ever, Lenovo’s consolidated sales in the region topped US\$1.1 billion, or 18 percent of the Company’s worldwide sales. Lenovo’s PC shipments across the region increased a whopping 65 percent year-over-year during the second fiscal quarter, compared to an overall industry increase of 17 percent. Lenovo continued to grow market share in all major markets in the region, picking up 1.8 share points year-over-year. Of particular note were increased shipments year-over-year in the following: Russia (up 185 percent); Latin America (up 68 percent); India (up 60 percent), and the Middle East (up 59 percent).
- **Mature Markets**** accounted for US\$2.1 billion in consolidated sales, or 36 percent of the Company’s worldwide sales during the second fiscal quarter. Lenovo’s PC shipments increased 40 percent during the second quarter, significantly outpacing an industry growth rate of just 3.4 percent in the region. Lenovo picked up 1.5 share points year-over-year, and returned to profitability in the region. Lenovo saw solid PC shipments growth in several key markets including: Germany (up 83 percent); Japan (up 69 percent); Western Europe (up 43 percent); and North America (up 41 percent).

PRODUCT OVERVIEW

- Lenovo’s **laptop** computers continued to be the largest contributor to the Company’s sales worldwide, generating 60 percent of Lenovo’s total sales revenue during the second fiscal quarter. Consolidated sales for Lenovo’s laptop PC business worldwide in the quarter increased 40 percent year-over-year. Lenovo’s laptop shipments worldwide in the second quarter were up 38 percent year-over-year, compared to an industry increase of 13 percent. During the second fiscal quarter, Lenovo gained 1.9 points, good enough for a worldwide

fourth-place laptop market share of 10.5 percent. As the quarter closed, Lenovo announced that it had sold its 60 millionth ThinkPad, a milestone achievement for an iconic product responsible for many industry firsts, including the first spill-resistant keyboard and the first protective roll cage.

- Consolidated sales of Lenovo **desktop** computers worldwide increased 27 percent year-over-year in the second fiscal quarter, or 33 percent of Lenovo's total sales revenue. Desktop shipments for the same period increased 26 percent, compared to an industry increase of five percent. Lenovo captured another 1.8 points during the second quarter to hold down a third-place ranking in worldwide desktop market share. The Company added to its popular all-in-one desktop PC lineup with the introduction of the ThinkCentre M70z, a little brother of the solid-selling ThinkCentre M90z, and cousin to the consumer all-in-ones, the IdeaCentres A700 and B500.
- **Lenovo Mobile** rang in its first full quarter of operations since rejoining Lenovo with consolidated sales of US\$217 million. Lenovo's unit shipment growth was double the industry's growth rate of 20 percent, and the Company remains on track to meet its first-year target for Lenovo smartphone sales. During the second fiscal quarter, The Company teamed up with China Telecom, and China Unicom, to enhance distribution coverage for the Lenovo smartphone, and continues to enrich applications and content for a better smartphone user-experience.

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 second quarter ended September 30, 2010

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

	Q2 10/11	Q2 09/10	Y/Y CHG
Sales	5,760	4,087	41%
Gross Profit	593	433	37%
Gross Profit Margin	10.3%	10.6%	-0.3pts
Operating Expenses*	(485)	(390)	24%
Expenses-to-Revenue Ratio*	8.4%	9.5%	-1.1pts
Other Income, net	0	38	n/a
Operating Profit*	108	43	151%
Other Non-Operating Expenses Income	(5)	(13)	-62%
Pre-tax Income*	103	30	243%
Restructuring Cost	(1)	(3)	-67%
Pre-Tax Income	102	65	57%
Taxation	(25)	(12)	108%
Profit Attributable to Equity Holders	77	53	45%
EPS (US cents)			
Basic	0.81	0.59	n/a
Diluted	0.76	0.55	n/a

* Excludes restructuring costs and other income, net