



Lenovo Reports Fourth Quarter and Full year 2010/11 Results

- Full-year sales of US\$21.6 billion
- Full-year pre-tax income of US\$358 million
- Profit attributable to equity holders of US\$273 million
- Full-year basic EPS of 2.84 US cents, or 22.08 HK cents
- Net cash reserves of US\$2.7 billion (as of March 31, 2011)
- Full-year double digit record market share of 10.2 percent

Hong Kong, May 26 2011 – Lenovo Group today announced results for its fourth fiscal quarter and full year ended March 31, 2011. Lenovo was the fastest growing of the top five PC manufacturers for the sixth quarter in a row, and for the eighth quarter in a row outgrew the worldwide PC market as a whole. Lenovo’s continued focus on executing its “protect and attack” strategy across all geographies, customer segments and product lines, resulted in balanced growth throughout the year, leading to a record year-ending double digit market share of 10.2 percent.

During the fourth quarter, Lenovo’s worldwide PC shipments increased 16 percent year-over-year, compared to an overall industry decline of 1.1 percent during the same period.

Consolidated sales for the fourth fiscal quarter grew 13 percent year-over-year to US\$4.88 billion. The Company’s operating profit (excluding restructuring costs, one-off items and net other income) for the quarter grew almost 50 percent year-over-year to US\$69 million. Gross profit margin was at 12.3 percent, an improvement of 1.9 points. For the quarter, Lenovo reported a pre-tax income of US\$60 million, triple last year’s figure. Profit attributable to equity holders was US\$42 million in the fourth quarter, more than triple last year’s result.

Basic earnings per share for the fourth fiscal quarter was 0.43 US cent, or 3.35 HK cents. Lenovo’s Board of Directors declared a final dividend of 0.64 US cents, or 5.0 HK cents per share for the fiscal year ended March 31, 2011.

For the 2010/2011 fiscal year, consolidated sales increased 30 percent to US\$21.6 billion. Lenovo’s PC shipments grew 28 percent year-over-year, compared to an overall industry increase of 7.4 percent. The Company’s pre-tax income was US\$358 million. The full-year profit attributable to equity holders was US\$273 million, more than double last year’s result. Basic earnings per share for the 2010/11 fiscal year totaled 2.84 US cents, or 22.08 HK cents.

“Lenovo had a record-setting year and the Board of Directors is satisfied with both the quarterly and annual results. Lenovo’s performance is evidence that the Company is achieving its short-term and quarterly goals, while strengthening its long-term competitiveness. These results demonstrate that we have the right strategy in place and are executing on that strategy,” said Lenovo Chairman Liu Chuanzhi. “However, as we celebrate our success, we are very focused on the challenges we face as we continue to build our business worldwide. Our innovative products, our focused strategy and our strong culture, will remain the keys to our success in the coming year and beyond.”

"We are very satisfied with the progress of our strategy execution. We not only continue to gain market share in all geographies, customer segments and product lines, but also reported a significant improvement in profit. Our fourth quarter gross profit margin improved almost 2 points year-over-year." said Lenovo CEO Yang Yuanqing. "We enter our new fiscal year with the utmost confidence. By continuing to execute our 'protect and attack' strategy, Lenovo will be able to further accelerate our pace of growth in the PC industry while achieving good progress in new businesses as well, especially in the mobile internet area."

Lenovo fourth fiscal quarter was highlighted by several significant announcements including the formation of the Company's new Mobile Internet and Digital Home business group responsible for creating mobile-Internet focused devices, including tablets and smartphones, as well as devices for new categories like cloud computing, smart TV and the digital home.

Lenovo also announced the formation of a joint venture with NEC, creating the largest PC group in Japan, and giving Lenovo a leading market share position in two out of the three largest PC markets in the world.

In the product area, Lenovo's focus on innovation was highlighted by the introduction of Lenovo's first tablet which is being sold exclusively in China and is the first of several Lenovo tablet products planned for international release late in the year.

GEOGRAPHIC OVERVIEW

Lenovo **China** achieved US\$2.2 billion in consolidated sales in the fourth fiscal quarter, a 12.3 percent increase year-over-year, and accounting for 45 percent of the Company's total sales volume worldwide. Lenovo's industry-leading market share in China rose 1.9 points year-over-year during the fourth quarter to 27.6 percent. Lenovo's fourth quarter PC shipments in China grew 15.8 percent year-over-year, double the overall industry growth rate of PC shipments in China of 7.6 percent. Of particular note was the growth rate during the quarter for Lenovo PCs in emerging cities in China.

In the **Emerging Markets**,* Lenovo's PC shipments grew 31.5 percent, year-over-year during the fourth fiscal quarter, more than twice as fast as the industry growth rate in the region of 12.7 percent. Consolidated sales for the quarter increased 14.2 percent year-over-year to US\$850 million, or 17.4 percent of the Company's total sales. While all regions in the emerging markets performed well during the fourth quarter, the shipment growth rates in Russia (up 88 percent), India (up 58 percent), ASEAN (up 43 percent) and Latin America/Brazil (up 15 percent) in particular are worth noting.

Lenovo's performance in the **Mature Markets**** during the fourth fiscal quarter was highlighted by a year-over-year growth rate in PC shipments of 7.0 percent, all the more impressive when compared to an overall regional decrease in PC shipments of 12.1 percent. Consolidated sales totaled US\$1.8 billion, a year-over-year increase of 13.4 percent, or 37.6 percent of Lenovo's total worldwide sales for the quarter. Leading the way in the mature markets, Lenovo's PC shipment grew 25 percent year-over-year in North America. Despite the enormous challenges created by the natural disasters in

Japan, Lenovo only saw a slight decrease in PC shipments there of 1.4 percent year-over-year and anticipates a full recovery in that market next quarter.

PRODUCT OVERVIEW

Consolidated sales for Lenovo's **laptop PC** business worldwide in the fourth fiscal quarter totaled US\$3.0 billion, an increase of 12 percent year-over-year, representing 61.3 percent of the Company's total sales. The Company's worldwide laptop PC shipments were up 15 percent year-over-year, compared an overall increase during the quarter of just 0.8 percent. During the fourth fiscal quarter, Lenovo introduced the next generation of the best-selling ultraportable business laptop of 2010 – the ThinkPad X220 and the X220 convertible, new T, L and W series ThinkPads, as well as the new ThinkPad Edge E220 and E420 laptops designed for small and medium business customers. Lenovo also announced several new models of the world's fastest booting Windows 7 consumer laptops – the IdeaPads Y470 and Y570.

Lenovo's **desktop PC** shipments for the fourth fiscal quarter increased an impressive 17.4 percent year-over-year worldwide, compared to an overall industry decrease of 3.8 percent. During the quarter, consolidated sales for desktop PCs grew 13 percent year-over-year, totaling US\$1.7 billion, or 34.1 percent of Lenovo's total sales revenue. For consumers, Lenovo unveiled four new IdeaCentre all-in-one desktop PCs in the fourth quarter. For business customers, Lenovo introduced the new ThinkCentre M81 and M91 desktops, and E30 workstation, all featuring the highest levels of performance, security, and manageability.

During the fourth fiscal quarter, **Lenovo Mobile** achieved US\$187 million in consolidated sales. Lenovo's handset shipments in China grew 47.4 percent, more than double the industry growth rate in China of 19.7 percent. The Company continues to work closely with locals carriers such as China Unicom and China Telecom to extend the distribution channels of Lenovo smartphone. During the year, Lenovo remained the largest domestic handset brand in China.

*Includes Africa, Asia Pacific, Brazil, Central/Eastern Europe, Hong Kong, India, 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 and full year ended March 31, 2011

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

	Q4 10/11	Q4 09/10	Y/Y CHG	FY 10/11	Y/Y CHG
Sales	4,879	4,317	13.0%	21,594	30.0%
Gross Profit	600	449	33.6%	2,364	32.1%
Gross Profit Margin	12.3%	10.4%	1.9 pts	10.9%	0.1 pt
Operating Expenses*	(531)	(402)	32.0%	1,978	24.7%
Expenses-to-Revenue Ratio*	10.9%	9.3%	1.6 pts	9.2%	-0.4 pt
Operating Profit*	69	47	46.8%	386	89.4%
Other Non-Operating Expenses	(10)	(7)	42.9%	(24)	-42.3%
Pre-tax Income*	59	40	47.5%	362	124.7%
Restructuring costs, one-off items and other income, net	1	(20)	-105%	(4)	-94.3%
Pre-tax Income	60	20	200%	358	102.9%
Taxation	(18)	(7)	157.1%	(85)	80.1%
Profit Attributable to Equity Holders	42	13	223.1%	273	111.2%
EPS (US cents)					
Basic	0.43	0.14	0.29	2.84	1.42
Diluted	0.42	0.13	0.29	2.73	1.40
Dividend per share (HK cents)				7.60	2.10

* Excludes restructuring costs, one-off items and other income, net