

LENOVO REPORTS SECOND QUARTER 2011/12 RESULTS

- **Becomes the world's second-largest PC vendor, with record market share of 13.5 percent**
- **Record quarterly sales of US\$7.8 billion**
- **Pre-tax income of US\$165 million**
- **Profit attributable to equity holders of US\$144 million**
- **Basic EPS of 1.41 US cents, or 10.99 HK cents**
- **Net cash reserves of US\$ four billion (as of September 30, 2011)**

BEIJING, CHINA, November 2, 2011 – Lenovo Group today reported results for its second fiscal quarter ended September 30, 2011. Demonstrating the Company's rapid growth, Lenovo has become the world's second-largest PC vendor, just one quarter after being named the world's third-largest PC vendor. During the second quarter, Lenovo's worldwide PC shipments grew 35.8 percent year-over-year, seven times the PC industry growth rate of 5.0 percent worldwide for the same period. This is the tenth consecutive quarter that Lenovo has grown faster than the industry and the eighth quarter in a row that Lenovo has grown the fastest among the top four PC vendors.

With a continued focus on balanced growth across all markets, product lines and customer segments, consolidated sales for the second fiscal quarter increased 35.2 percent year-over-year to a record US\$7.8 billion. Lenovo also recorded its highest-ever worldwide quarterly market share of 13.5* percent, and gained share points in China, mature markets and emerging markets alike.

At the same time, net earnings for the Company increased a whopping 87.9 percent during the second fiscal quarter, as profit attributable to equity holders for the quarter totaled US\$144 million.

Lenovo's gross profit for the second fiscal quarter increased 59.8 percent year-over-year, to US\$948 million, with gross margin at 12.2 percent. Operating profit for the second quarter was US\$166 million, a 55.3 percent increase over the second quarter last year. Lenovo's second quarter pre-tax income was US\$165 million, up 62.3 percent year-over-year .

Basic earnings per share for the second fiscal quarter was 1.41 US cents, or 10.99 HK cents. Net cash reserves as of September 30, 2011, totaled approximately US\$ four billion. The Board of Directors declared an interim dividend of 3.8 HK cents per share.

"Lenovo's performance this quarter was outstanding. Despite significant investments for future growth, pre-tax income increased and the Company over-achieved its targets," said Liu Chuanzhi, Lenovo chairman. "The management team developed strategies in the right way, built a solid corporate culture and the morale of the whole staff is very high. The Board is very satisfied."

"In just two quarters, Lenovo has gone from the number four to the second largest PC vendor in the world. We achieved balanced growth across all markets, product categories and geographic regions. In China, we continued to extend our lead, while in Emerging Markets we have been growing more than three times the market growth rate. Including the successful integration of both the NEC and Medion businesses in Mature Markets, we recorded for the

first time a turnover exceeding that of the China market. Not only has profitability substantially increased, but also with record market share,” said Yang Yuanqing, Lenovo CEO. “We are very optimistic about the future of the PC industry. Our aspiration is not only to be the leader of traditional PCs, but to also accomplish much more in the extended PC categories, such as the smartphone and tablet.”

GEOGRAPHIC OVERVIEW

- Lenovo **China** achieved US\$3.2 billion in consolidated sales (includes Mobile Internet Digital Home business) in the second fiscal quarter, an increase of 20.7 percent year-over-year, accounting for 40.8 percent of the Company’s worldwide sales. During the second quarter, Lenovo grew its number-one position in China to a leading market share of 31.5 percent, up 2.7 points year-over-year. Lenovo’s PC shipments in China grew 25.8 percent year-over-year in the quarter, almost double the overall industry increase of PC shipments in China of 15 percent. China has now surpassed the U.S.A. as the world’s largest PC market, and as the number one PC vendor in China, Lenovo is well-positioned to deliver the products and services that customers in China want, particularly those customers in China’s emerging cities, where Lenovo is keenly focused on outperforming its key competitors.
- In **Emerging Markets,**** For the second quarter in a row, Lenovo grew more than three times faster than the industry, with PC shipments in the region up 37.9 percent, compared to an industry growth rate in the second fiscal quarter of 10.9 percent. Leading the way, were Brazil, India, Latin America and Russia, all of which saw an average year-over-year gain of 42 percent in PC shipments during the second quarter. Consolidated sales for the quarter increased 20.8 percent year-over-year to \$1.3 billion, or 16.6 percent of the Company’s total worldwide sales. Lenovo’s market share in the region climbed to eight percent during the second fiscal quarter, highlighted by double-digit market share in both India and Russia, and aided by brand-building campaigns running across a variety of media.
- **Mature Markets***** Despite a difficult environment that saw overall PC shipments across the region drop by three percent in the second fiscal quarter, Lenovo maintained positive growth with PC shipments across the region up an eye-opening of 54.5 percent year-over-year. Consolidated sales for the second quarter rose a noteworthy 61.1 percent to US\$3.3 billion, or 42.6 percent of the Company’s worldwide sales. Lenovo achieved a record market share in the region of 9.1 percent, picking up 3.4 points year-over-year. The NEC joint venture and Medion acquisition are beginning to have an impact in the region, with significant share gains in both Japan and Western Europe during the quarter. Lenovo/NEC is now the clear market leader in Japan, giving Lenovo the number one ranking for PC vendors in two out of the three largest PC markets in the world.

PRODUCT OVERVIEW

- Lenovo **laptop** computers continued to be the largest contributor to the company’s sales worldwide, generating 57.5 percent of Lenovo’s total sales revenue during the second fiscal quarter. Consolidated sales for Lenovo’s laptop PC business worldwide in the second quarter increased 29.6 percent year-over-year. Lenovo laptop PC shipments worldwide in the second quarter were up 35.4 percent year-over-year, compared to an industry increase of 7.4 percent. During the quarter, Lenovo announced the ThinkPad Edge 14-inch E425 and 15.6-inch, E525. Both models are designed for small-to-medium (SMB) business customers and feature a slimmer, more polished design, complemented by powerful, reliable technology with voice and video capabilities. For consumers, Lenovo announced three new luxury laptops – the IdeaPad U300s ultrabook, and the U300 and U400 laptops, designed for fashion-minded customers, who want a product that is stylish, yet powerful and productive.

- Consolidated sales of Lenovo **desktop** computers worldwide increased 37.8 percent year-over-year in the second fiscal quarter, or 34.1 percent of Lenovo's total sales revenue. Desktop shipments for the same period increased 36.3 percent, compared to an industry increase worldwide of 1.7 percent. The Company added to its popular all-in-one desktop PC lineup with the introduction of the ThinkCentre M71, designed for businesses, schools and government. The new ThinkCentre boasts a variety of performance features from fast boot to interactive touchscreen options and advanced conferencing features.
- **Lenovo's Mobile Internet Digital Home (MIDH)** business in China saw handset unit shipments grow 39 percent year-over-year during the first fiscal quarter, compared to an overall industry growth rate of 31 percent. Feature phone shipments were up 28 percent year-over-year, in a market that saw only four percent growth overall. With the launch of Lenovo's new entry-level A60 smartphone, early sales indicators that show Lenovo growing much faster than the market are encouraging. Lenovo's previously announced tablets are starting to make headway, and Lenovo is already ranked number two in the China tablet market. During the second quarter, the previously announced ThinkPad Tablet, the Company's first 'business-class', Android-based tablet, went on sale to customers in the U.S.A. and other markets, and as the second quarter closed, Lenovo announced the new IdeaPad Tablet A1, a consumer-friendly, seven-inch tablet based upon the Android 2.3 operating system.

ABOUT LENOVO

Lenovo (HKSE:992) 9ADR:LNVGY) is a \$US21 billion personal technology company – and the second largest PC company in the world, serving customers in more than 160 countries. Dedicated to building exceptionally engineered PCs and mobile internet devices, Lenovo's business is built on product innovation, a highly-efficient global supply chain and strong strategic execution. 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. Its product lines include legendary Think-branded commercial PCs and Idea-branded consumer PCs, as well as servers, workstations, and a family of mobile internet devices, including tablets and smart phones. Lenovo has major research centers in Yamato, Japan; Beijing, China; and Raleigh, North Carolina. For more information, see www.lenovo.com.

* see IDC WW PC Tracker, 2011Q3 preliminary data

** 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, 2011

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

	Q2 11/12	Q2 10/11	Y/Y CHG
Sales	7,786	5,760	35%
Gross Profit	948	593	60%
Gross Profit Margin	12.2%	10.3%	1.9pts
Operating Expenses	(782)	(486)	61%
Expenses-to-Revenue Ratio	10.0%	8.4%	1.6pts
Operating Profit	166	107	55%
Other Non-Operating Expenses	(1)	(5)	(77%)
Pre-tax Income	165	102	62%
Taxation	(20)	(25)	(19%)
Profit for the period	145	77	89%
Non-controlling interests	(1)	0	n/a
Profit attributable to Equity Holders	144	77	88%
EPS (US cents)			
Basic	1.41	0.81	0.60
Diluted	1.38	0.76	0.62