



LENOVO REPORTS THIRD QUARTER 2010/2011 RESULTS

- Quarterly sales of US\$5.8 billion
- Pre-tax income of US\$121 million
- Profit attributable to equity holders of US\$100 million
- Highest-ever market share in China of 32.2 percent
- Basic EPS of US\$1.03 cents, or HK\$8.00 cents
- Net cash reserves of US\$3.2 billion (as of December 31, 2010).

HONG KONG, February 17, 2011 – Lenovo Group today reported results for its third fiscal quarter ended December 31, 2010, and for the fifth quarter in a row, the Company grew faster than any of the top five PC manufacturers, resulting from Lenovo’s continued focus on balanced growth across all geographies, customer segments and product lines. During the third quarter, Lenovo recorded its highest-ever market share in China of 32.2 percent, growing at three times the industry rate there, and maintained its double-digit worldwide market share position at 10.2 percent. For the seventh quarter in row, Lenovo grew faster than the industry as a whole.

During the third fiscal quarter Lenovo’s PC worldwide shipments increased 20.6 percent year-over-year, compared to an industry growth rate worldwide of 3.4 percent during the same period.

Consolidated sales for the third fiscal quarter increased 22 percent year-over-year to US\$5.8 billion. The Company’s gross profit for the third quarter grew 22 percent year-over-year, to US\$648 million, with gross margin at 11.2 percent. By comparison, gross margin for the previous quarter was 10.3 percent.

Operating profit for the third fiscal quarter was US\$127 million (excluding a US\$2 million restructuring cost), a 28 percent improvement year-over-year. Lenovo reported a third quarter pre-tax income of US\$121 million, a 29 percent increase year-over-year. Profit attributable to equity holders for the third fiscal quarter was US\$100 million, a 25 percent gain year-over-year.

Basic earnings per share for the third fiscal quarter was US\$1.03 cents, or HK\$8.00 cents. Net cash reserves as of December 31, 2010, totaled US\$3.2 billion.

In recent weeks, Lenovo announced a joint venture with NEC Corporation in Japan and separately, a new mobile internet business group. The joint venture with NEC forms the largest PC group in Japan, and establishes Lenovo as the leader in two out of three of the largest PC markets in the world. Lenovo’s new Mobile Internet and Digital Home business group will focus on creating mobile Internet devices, including tablets and smartphones, as well as devices for new categories like cloud computing, smart TV, and the digital home.

“The Board is satisfied with Lenovo’s performance in this quarter in all aspects of measurement. For the fifth consecutive quarter, Lenovo has continued to be the fastest growing among the top five PC manufacturers globally. Volume, revenue, cost and expense, and pre-tax-income targets were all delivered. The outstanding result indicates that the strategy of Protect-Attack and balanced development has shown its effect,” said

Lenovo Chairman Liu Chuanzhi. "While driving for business momentum, Lenovo will further increase investment in brand building and product development. I believe that today's investment will bring good return to our shareholders in future. One of the keys to our success is that we are building a winning culture at Lenovo, and our success in the marketplace is a direct result of that effort."

"By executing our 'Protect and Attack' strategy, we were able to grow across all regions, product types and customer segments. Our core PC business continues to deliver balanced growth. At the same time, saw great momentum in our mobile Internet business which double the sales of the Lenovo smartphone from previous quarter. This growth was driven by investments in marketing, product development and the creation of a new, more focused Mobile Internet and Digital Home business group," said Lenovo CEO Yang Yuanqing, "Looking forward, we will invest in building our global brand, driving more product innovation and creating an even more efficient end-to-end business model. Based on this, we are confident we can continue to outgrow the market and deliver strong results across our business."

GEOGRAPHIC OVERVIEW

- **Lenovo China's** market share rose 2.4 percentage points during the third fiscal quarter, to an all-time high market share for Lenovo in China of 32.2 percent. In a third quarter sales climate defined by moderate growth, Lenovo was able to widen the gap between itself and the number two through four-ranked PC companies in China. Lenovo posted US\$2.7 billion in consolidated sales (includes Lenovo Mobile sales) in China in the third quarter, an increase of 18 percent year over year, and accounting for 46 percent of the Company's worldwide sales. Lenovo's PC shipments in China increased 12.7 percent year-over-year, triple the overall industry increase of PC shipments in China of 4.2 percent. In the quarter, Lenovo signed an agreement with the municipal government of Chengdu (southwest of China's Sichuan province) to build a large industrial base in Chengdu that will include a production center, a marketing center and an R&D center, with a planned opening date of late 2011.
- In **Emerging Markets*** Lenovo's consolidated sales totaled US\$1.1 billion for the third fiscal quarter, an increase of 34 percent year-over-year, and 19 percent of the Company's worldwide sales. Lenovo's PC shipments across the region increased 43 percent year-over-year in the third quarter, almost triple the overall industry increase in the region of 15.9 percent. Lenovo grew market share by 1.2 percentage points across the region. In India, Lenovo grew PC shipments by 62 percent during the third quarter, and for the first-time ever, reached double-digit market share at 10.3 percent. In Hong Kong, Lenovo achieved its highest-ever market share at 26.4 percent. Across Latin America, including Brazil, Lenovo's PC shipments increased 31.4 percent year-over-year. In Russia, Lenovo grew market share by 3.3 percentage points year-over-year.
- **Mature Markets**** accounted for US\$2 billion in consolidated sales, an increase of 22 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 23 percent increase in Lenovo's PC shipments in mature markets during the third quarter, compared to an overall industry decline in mature markets of 3.6 percent. Of particular note, shipments of the Company's Think-branded products increased 31 percent year-over-year in the Mature Markets. Lenovo picked up 1.8 percentage

points of market share in Japan, and gained share in the region in all geographies with the exception of Australia and New Zealand.

PRODUCT OVERVIEW

- Consolidated sales for Lenovo's **laptop** PC business worldwide in the third fiscal quarter totaled US\$3.4 billion, an increase of 15 percent year-over-year. Lenovo's laptop computers continued to be the largest contributor to the Company's sales worldwide, generating 59 percent of Lenovo's total sales revenue. The Company's laptop shipments worldwide in the third quarter were up 18.6 percent year-over-year, compared to an industry increase of just 4.3 percent. During the third fiscal quarter, Lenovo introduced the world's first 12.5-inch ultraportable consumer laptop the IdeaPad U260, featuring a magnesium-aluminum alloy metal cover, leather-patterned palm rest and glass touchpad, as well as new multi-media IdeaPad laptop PCs, the Y460p and Y560p.
- Lenovo's **desktop** shipments for the third fiscal quarter increased 23 percent year-over-year, compared to an industry increase of just two percent. Lenovo is the third-largest desktop PC provider in the world with 11.1 market share, and further tightened the gap between itself and the number-two ranked company. Consolidated sales of Lenovo desktop computers worldwide in the third quarter totaled US\$2 billion, an increase of 18 percent year-over-year, and 35 percent of Lenovo's total sales revenue. In the third fiscal quarter, Lenovo introduced its new IdeaCentre K330 desktop PC, with high-performance processors, and packed with multi-media features for watching movies, listening to music and playing videogames.
- In the third fiscal quarter, **Lenovo Mobile** recorded US\$218 million in consolidated sales. Lenovo's handset shipments in China grew 52.2 percent for the quarter, or five times the industry growth rate of 10.3 percent. Lenovo's handset shipments were double the previous quarter, and with last year's supply issues now in the past Lenovo is back on track. Lenovo continued to work with local telecommunications companies in China regarding Lenovo smartphone distribution.

* 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

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.

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IR Contacts:

Gary Ng
(852) 2516-4840
garyng@lenovo.com

William Li
(852) 2516-4843
williamli1@lenovo.com

Katie Kung
(852) 2516-4811
katiekung@lenovo.com

**LENOVO GROUP
FINANCIAL SUMMARY**

For the third quarter ended December 31, 2010

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

	Q3 10/11	Q3 09/10	Y/Y % CHG
Sales	5,808	4,760	22%
Gross Profit	648	530	22%
Gross Profit Margin	11.2%	11.1%	0.1pt
Operating Expenses ⁽¹⁾	(521)	(431)	20%
Operating Expense Margin ⁽¹⁾	9%	9.1%	-0.1pt
Operating Profit ⁽¹⁾	127	99	28%
Other Non-Operating Expenses	(4)	(5)	-20%
Pre-tax Income ⁽¹⁾	123	94	31%
Other Income, net	0	43	n/a
Restructuring Cost	(2)	(1)	100%
One-off Items	(0)	(42)	n/a
Pre-Tax Income	121	94	29%
Taxation	(21)	(14)	50%
Profit Attributable to Equity Holders	100	80	25%
EPS (US cents)			
Basic	1.03	0.86	n/a
Diluted	0.98	0.79	n/a

(1) Excludes restructuring costs, one-off items and net other income.