lenovo

LENOVO REPORTS FOURTH QUARTER AND FULL-YEAR 2008/09 RESULTS

- **Full-year sales of US$14.9 billion**
- **Full-year pre-tax profit (excluding restructuring/one-off items) of US$29 million**
- **Full-year restructuring charge of US$146 million**
- **One-off items (charges) incurred during Q4 of US$71 million**
- **Full-year loss attributable to shareholders (including restructuring charge/one-off items of US$217 million) of US$226 million**
- **Full-year basic EPS of (2.56) US cents, or (19.91) HK cents**
- **Net cash reserves of US$1.18 billion (as of March 31, 2009)**

HONG KONG, May 21, 2009– Lenovo Group today reported results for its fourth fiscal quarter and full year ended March 31, 2009. During the fourth quarter, Lenovo's worldwide PC shipments declined 8.2 percent year over year, due to a continued decrease in commercial PC shipments worldwide, and the Company's under-representation in consumer markets. Overall industry PC shipments declined 7 percent worldwide for the same period.

Consolidated sales for the fourth fiscal quarter from continuing operations decreased 25.8 percent year over year to US$2.8 billion. Excluding restructuring costs and one-off items, the Company's gross profit for the quarter declined 49 percent year over year, with gross margin at 10.3 percent. Lenovo reported a fourth quarter pre-tax loss of US$268 million (including a US$116 million restructuring and US$71 million one-off items charges) from continuing operations. The loss attributable to shareholders for the quarter was US$264 million.

As previously announced, Lenovo initiated a worldwide restructuring program during the fourth fiscal quarter, designed to make the Company more cost competitive and operationally efficient. As a result of the restructuring, Lenovo expects to save approximately US$300 million in the 2009/10 fiscal year. The Company incurred a restructuring cost of US$116 million in the fourth fiscal quarter, and a one-off items charge of US$71 million.

Basic loss per share for the fourth quarter was (2.98) US cents, or (23.11) HK cents. Net cash reserves as of March 31, 2009, totaled US$1.18 billion. Lenovo's board of directors does not recommend the payment of a final dividend for the fiscal year ended March 31, 2009.

"The past two quarters have been a particularly challenging time in our industry worldwide, and we took some significant steps to get our business back on the right path," said Lenovo Chairman Liu Chuanzhi. "We remain committed to growing our business profitably worldwide, and while our performance in the fourth fiscal quarter did not meet our expectations, we are confident that we have the right pieces in place to hit our financial targets and be ready to take advantage as economic conditions improve."

"We have taken decisive actions in response to the economic downturn in order to align our overall business with the changing marketplace, and we are already seeing positive results from these actions," said Yang Yuanqing, Lenovo CEO. "Driving for growth and profitability, we will continue to protect and strengthen our leadership position in China, and accelerate the return of our worldwide commercial business to profitability. At the same time, we will aggressively sharpen our focus on the growth opportunities in emerging markets, as well as with consumer and small and medium business customers worldwide."

GEOGRAPHIC OVERVIEW

- Lenovo **Greater China** posted US$1.2 billion in consolidated sales in the fourth fiscal quarter, accounting for 43.6 percent of the Company's worldwide sales. During the quarter, Lenovo strengthened its number-one position in China by 1.1 points, which resulted in an industry-leading market share in China of 26.7 percent. Lenovo's PC shipments in China increased 4.4 percent year over year in the quarter, compared to an overall industry decrease of PC shipments in China of 0.1 percent.

- The **Americas** accounted for US$682 million in consolidated sales, or 24.6 percent of the Company's worldwide sales during the fourth fiscal quarter. The continued industry-wide weakness in commercial PC opportunities across the Americas resulted in a year over year decrease of 19 percent in Lenovo's PC shipments in the region during the quarter. However, Lenovo's increased focus on emerging markets resulted in market share gains in Brazil during the quarter.

- In the Europe, Middle East and Africa region (**EMEA**), Lenovo's consolidated sales totaled US$591 million for the fourth fiscal quarter, or 21.3 percent of the Company's worldwide sales. Lenovo's PC shipments across the region decreased 13 percent year over year in the quarter. Sales growth in the region was impacted by limited participation in the consumer market, which the Company has since addressed. Lenovo gained market share in France, and with the Company's increased focus on emerging markets, had notable market share gains in Central and Eastern Europe, and in Turkey.

- **Asia Pacific** (excluding Greater China) recorded consolidated sales of US$291million in the fourth fiscal quarter, or 10.5 percent of the Company's worldwide sales. Lenovo's PC shipments in Asia Pacific decreased 32 percent year over year in the quarter. An encouraging response to the Company's new netbook product line-up across the region was offset by a significant drop in the market in India.

PRODUCT OVERVIEW

- Lenovo's **Notebook** computers continued to be the largest contributor to the Company's sales worldwide, generating close to 60 percent of Lenovo's total sales revenue. Consolidated sales for Lenovo's notebook PC business worldwide in the fourth fiscal quarter totaled US$1.7 billion, down 26 percent year over year. The Company's notebook shipments worldwide in the quarter were up two percent year over year. Lenovo is well placed to take advantage of the industry shift to lower-priced notebook PCs, and introduced several new IdeaPad netbooks, which have been well received by customers and the media.

- Consolidated sales of Lenovo **Desktop** computers worldwide decreased 26 percent year over year in the fourth fiscal quarter to $US1.0 billion, or 38 percent of Lenovo's total sales revenue. Desktop shipments for the same period declined 17.6 percent. Across the world, the market continued to shift from desktops to notebooks, and Lenovo has simplified its desktop product portfolio to drive operational efficiencies and reduce cost. At the same time, the Company has introduced some exciting new IdeaCentre and ThinkCentre desktop PCs, as well as new ThinkStation workstations and the Lenovo H200.

FULL YEAR RESULTS

For the 2008/09 fiscal year, consolidated sales from continuing operations decreased 8.9 percent year over year to US$14.9 billion. Lenovo's PC shipments grew 2.2 percent year over year. The Company's gross profit margin for the fiscal year was 11.9% (excluding restructuring costs and one-off items), compared to 15.0 percent last year.

Including restructuring costs and one-off items, the Company's pre-tax loss for continuing operations was US$188 million. The full-year loss attributable to shareholders was US$226 million.

Basic loss per share for the 2008/09 fiscal year totaled (2.56) US cents, or (19.91) HK cents.

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

# # #

Contacts:

Hong Kong	Beijing	U.S.
Angela Lee	**Jay Chen**	**Ray Gorman**
(852) 2516-4810	(8610) 5886-2552	(919) 257-6325
angelalee@lenovo.com	chenji@lenovo.com	rgorman@lenovo.com

LENOVO GROUP
FINANCIAL SUMMARY
For the fiscal quarter and full year ended March 31, 2009

(in US$ millions, except per share data)

	Q4 08/09	Q4 07/08	Y/Y % CHG	FY 08/09	Y/Y % CHG
Continuing operations[1]					
Sales	2,771	3,734	-25.8%	14,901	-8.9%
Gross Profit[2]	285	559	-49.0%	1,779	-27.4%
Gross Profit Margin[2]	10.3%	15.0%	-4.7pts	11.9%	-3.1pts
Operating Expenses[2]	(363)	(471)	-22.9%	(1,773)	-7.7%
Expense-to-revenue ratio[2]	13.1%	12.5%	0.6pts	11.9%	0.4pts
Other Income, net	-	6	n/a	1	-94.6%
Operating (Loss)/Profit[2]	(78)	95	n/a	7	-98.9%
Other Non-Operating (Expenses) / Income	(3)	9	n/a	22	59.6%
Pre-tax (Loss)/Income[2]	(81)	103	n/a	29	-95.2%
Restructuring Cost	(116)	-	n/a	(146)	206.3%
One-off Items	(71)	-	n/a	(71)	n/a
Pre-Tax (Loss)/Income	(268)	103	n/a	(188)	n/a
(Loss) / Profit from Continuing Operations	(264)	105	n/a	(226)	n/a
Profit from Discontinued Operations	-	36	n/a	-	n/a
(Loss)/Profit Attributable to Shareholders	(264)	140	n/a	(226)	n/a
EPS (US cents)			n/a		n/a
Basic	(2.98)	1.56		(2.56)	
Diluted	(2.98)	1.44		(2.56)	
Dividend per share (HK cents)	-	12.8	n/a	3	-81.0%

(1) Continuing operations include the PC business only.

(2) Excludes restructuring costs & one-off items.