



**LENOVO REPORTS THIRD QUARTER 2008/09 RESULTS;
ANNOUNCES SERIES OF MANAGEMENT CHANGES TO STRENGTHEN THE COMPANY'S
ABILITY TO DELIVER ON ITS LONG-TERM STRATEGY**

- Quarterly sales of US\$3.59 billion
- Quarterly LBITDA* (excluding restructuring) of US\$39 million
- Pre-tax loss (excluding restructuring) of US\$90 million
- Loss attributable to shareholders (including restructuring) of US\$97 million
- Basic EPS (including restructuring) of (1.09) US cents, or (8.5) HK cents
- Net cash reserves of US\$1.3 billion (as of December 31, 2008)
- Lenovo founder, Liu Chuanzhi, returns as Chairman
- Yang Yuanqing returns as CEO, replacing William Amelio
- Rory Read appointed to newly created role of president and chief operating officer

HONG KONG, February 5, 2009: Lenovo Group today reported results for its third fiscal quarter ended December 31, 2008. During the third quarter, Lenovo's worldwide PC shipments declined five percent year over year, due to a continued decrease in worldwide commercial PC shipments particularly at the high end, and a seven percent decline in the China PC market.

As previously announced, Lenovo initiated a worldwide restructuring program on January 8, 2009, which is expected to save the company approximately US\$300 million in the 2009/10 fiscal year, while helping the company become more cost competitive and operationally efficient.

Consolidated sales for the quarter from continuing operations (excluding divested businesses) fell 20 percent year over year to US\$3.59 billion. The Group's gross profit decreased 48 percent year over year, with gross margin at 9.8 percent. Lenovo reported a pre-tax loss of US\$90 million (excluding a US\$6 million restructuring charge) from continuing operations. The loss attributable to shareholders for the third quarter totaled US\$97 million.

Basic earnings per share was (1.09) US cents, or (8.5) HK cents, and as of December 31, 2008, net cash reserves were US\$1.3 billion.

"In the past quarter, same as many other companies, Lenovo was deeply impacted by the global economic turmoil," said Lenovo CEO Yang Yuanqing. "We have taken actions to ensure that in an uncertain economy, our business operates as efficiently and effectively as possible, and continues to grow in the future. The recent restructuring actions we have taken are a direct result of our focus on improving our cost-competitiveness and operational efficiency. In addition, we will also further differentiate our brand and product positioning, establish a corresponding end-to-end integrated organizational structure, and create product marketing mechanisms that can react to market changes more quickly. With all these actions in place, we believe Lenovo will emerge as a more efficient and competitive company."

MANAGEMENT CHANGES

Additionally, the board of directors of Lenovo today announced a series of management changes designed to strengthen the Company's ability to deliver on its stated long-term global strategy.

- Lenovo founder and board member, Liu Chuanzhi, has returned as chairman.
- Yang Yuanqing, the current chairman of the board, has returned to the role of CEO, a position he held from 2001 to 2004.
- Yang replaces William Amelio, who has come to the end of his three-year contract.
- Rory Read, Lenovo's senior vice president, operations, has been named to the newly created position of president and COO.



These senior management changes are effective February 5, 2009. Amelio will remain with the Company in an advisory capacity until September.

“Lenovo has grown successfully on the international stage, but at this important time, we want to pay particular attention to our China business as it represents the foundation of our global business and growth strategy,” said Liu Chuanzhi, the Company’s founder and returning chairman. “We have the particular benefit of naming Yang Yuanqing to the CEO role since he built our China business. His in-depth knowledge of that market and ability to execute there are unmatched in the industry. We believe he is the right person to lead Lenovo for the next several years. I’m pleased to return to my role as chairman and look forward to working in the best interests of our shareholders with Yuanqing and Rory.”

“Lenovo is the top PC manufacturer in China,” said Yang. “We have taken our success in China and rolled out our SME strategies into the international market. I am confident in our ability to strengthen Lenovo’s growth in China and emerging markets, and remain committed to leading our global and diversified team.”

“I would like to express my sincere appreciation to Bill Amelio for the significant contribution he has made during his time with Lenovo,” added Liu. “He has brought tremendous operational expertise to bear on all aspects of the company, organizing and streamlining the business, and helping transform our business into the global leader it is today. Together, we are proud of the global culture that we have created and we are pleased that he has agreed to remain as an advisor to the Company.”

“Over the past three years, we’ve implemented a successful international strategy and Lenovo has joined the ranks of the top global PC companies,” said Amelio. “Our brand is recognized around the world, we have developed a solid reputation for quality and innovation, and our customer service is second to none. I’m pleased with what we have accomplished as a team.”

In his new role as president and COO, Read will continue in his existing role leading global operations and is also assuming responsibility for global shared services. Read has been with the Company for three years and currently holds the position of senior vice president, operations, as well as acting president of Americas, Japan, Australia/New Zealand and Center of Excellence.

“In today’s challenging business environment, Lenovo is well-positioned for future success,” said Read. “I look forward to working closely with Chairman Liu and Yang Yuanqing to help strengthen and grow our global business.”

GEOGRAPHIC OVERVIEW

- Lenovo **Greater China** geography posted US\$1.6 billion in sales in the third fiscal quarter, accounting for 45 percent of Lenovo’s total worldwide sales. Due to the continuing economic crisis, Lenovo’s total shipments in China were down one per cent year to year, compared to an industry shipments decline in China of seven percent. However, Lenovo’s overall market share in China grew 1.8 points to 30.5 percent.
- In the **Americas**, Lenovo reported third quarter sales of US\$904 million, approximately 25 percent of the company’s total worldwide sales. Due to a continued weakness in the commercial market, and the move to lower-priced notebook PCs, Lenovo’s total shipments in the Americas were down six percent year to year, compared to an industry shipments decline of three percent. Lenovo remained strong in Canada, and gained market share in South America.
- The **Europe, Middle East and Africa** region (EMEA) accounted for US\$735 million in sales during the third quarter, which was 20 percent of Lenovo’s total sales worldwide. Lenovo’s total PC shipments in this geography were down by three percent year to year, compared to an industry shipments increase of one percent. While Lenovo’s EMEA overall results were affected by a negative currency impact, Lenovo experienced significant growth in the emerging markets of Russia and Turkey.



- **Asia Pacific** (excluding Greater China) saw sales of US\$343 million, which was 10 percent of the company's total worldwide sales in the third fiscal quarter. Across the region, Lenovo's total shipments were down 23 percent year to year, compared to an industry shipments decrease of four percent. Shipments in India in particular were scaled back as the economic crisis impacted commercial and high end accounts.

PRODUCT OVERVIEW

Lenovo's **notebook** sales continued to be the largest contributor to total sales. Lenovo notebook shipments in the third fiscal quarter were up three percent year to year, compared to a worldwide notebook PC industry shipments increase of 19 percent. Lenovo's consolidated notebook sales declined 20 percent year to year to US\$2.1 billion, or 57 percent of total product sales worldwide for the quarter. The third quarter was the first full quarter that Lenovo shipped netbooks, introducing a new product lineup designed to appeal to consumers and educational customers at lower price levels.

Lenovo's **desktop** sales declined 21 percent year to year to US\$1.5 billion, accounting for 41 percent of the company's total worldwide sales in the third quarter. Lenovo desktop shipments in the third quarter decreased 11 percent year to year, compared to a worldwide desktop PC industry shipments decline of 18 percent.

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 and Shenzhen, China; and Raleigh, North Carolina. For more information, visit www.lenovo.com.

*LBITDA – *Loss before interest, taxation, depreciation and amortization*

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**LENOVO GROUP
FINANCIAL SUMMARY**
For the third fiscal quarter and nine months ended December 31, 2008

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

	Q3 08/09	Q3 07/08	Y/Y % CHG	9 months ended 12/31/08	Y/Y % CHG
Continuing operations ⁽¹⁾					
Sales	3,592	4,494	-20.1%	12,130	-3.9%
Gross Profit	354	681	-48.1%	1,493	-21.0%
Gross Profit Margin	9.8%	15.2%	-5.4pts	12.3%	-2.7pts
Operating Expenses ⁽³⁾	(450)	(493)	-8.7%	(1,410)	-2.7%
Operating Expense-to-Revenue Ratio	12.5%	11.0%	1.5pts	11.6%	1.4pts
Other Income / (Expense), net	-	9	n/a	1	-91.6%
Pre-Tax (Loss)/Income before restructuring and other non-operating income / (expense)	(96)	197	n/a	84	-81.3%
Other non-operating income / (expense) ⁽²⁾	6	2	148.4%	25	377.4%
Restructuring Costs	(6)	(2)	243.6%	(29)	-38.8%
Pre-Tax (Loss)/Income	(96)	197	n/a	80	-80.4%
Loss from Discontinued Operations	-	(8)	n/a	-	n/a
(Loss)/Profit Attributable to Shareholders	(97)	172	n/a	37	-89.2%
EPS (US cents)					
Basic	(1.09)	1.93	n/a	0.42	-89.4%
Diluted	(1.09)	1.76	n/a	0.39	-89.3%
Dividend per share (HK cents)	-	-	n/a	3.0	0%
(LBITDA)/EBITDA ⁽¹⁾⁽³⁾	(39)	250	n/a	250	-61.5%

(1) Continuing operations include the PC business only. Mobile handset sales of US\$113 million, US\$122 million and US\$108 million in 1Q, 2Q and 3Q 2007/08 respectively are classified as discontinued operations.

(2) Includes finance income, finance cost and share of profits/(losses) of associated companies.

(3) Excludes restructuring charges.