



[For Immediate Release]

LENOVO REPORTS FOURTH QUARTER AND FULL YEAR 2005/06 RESULTS

- **Revenue of HK\$103.6 billion, up 359% in FY2005/06**
- **Full-year EBITDA (excluding restructuring charges) of HK\$3.0 billion, up 154%**
- **Full-year pre-tax income (excluding restructuring charges) of HK\$1.2 billion, up 7%**
- **Full-year profit attributable to shareholders (including restructuring charges) of HK\$173 million**
- **Full-year basic EPS of 1.97 HK cents (including restructuring charges) versus 14.99 HK cents in FY2004/05**
- **Net cash reserves of HK\$6.1 billion (as of March 31, 2006)**

HONG KONG, May 25, 2006 – Lenovo Group today reported results for the fiscal fourth quarter and full year ended March 31, 2006. For the fourth quarter, consolidated revenue increased 417 percent year over year to HK\$24.4 billion, driven by continued strong performance in China and the May 2005 acquisition of IBM's Personal Computing Division. PC shipments for the combined company grew 11 percent year over year. Excluding restructuring charges taken in the fourth quarter, pre-tax income declined during the same period to a loss of HK\$317 million, due to normal seasonal pressure on profitability, combined with investments made in new products and the launch of the Lenovo brand worldwide. Net cash reserves as of March 31, 2006, totaled HK\$6.1 billion. Lenovo's board of directors has proposed a final dividend of 2.8 HK cents per share.

In March 2006, Lenovo announced an action plan to enhance responsiveness to customers in all of its markets, strengthen Lenovo's global competitive position, and increase operational efficiency. As a result, Lenovo's reported results reflect a restructuring charge relating to the plan of approximately US\$70 million, or HK\$543 million, taken in the fourth fiscal quarter which ended March 31, 2006. Reflecting that restructuring charge, Lenovo reported a loss attributable to shareholders of HK\$903 million and basic earnings per share for the fourth quarter 2005/06 of (10.16) Hong Kong cents.

"The Board is pleased that Lenovo has met its first-year integration objectives for a smooth transition, stability in the business, and profitability in our international operations," said Yang Yuanqing, Lenovo's chairman. "We've continued to prove the advantages of our dual business model in China as we gained share profitably. At the same time, we've retained key customers from the acquired IBM PCD business and begun the next phase of our plan.

"Looking forward, we expect to realize the great potential of this company by leveraging the complementary strengths of the combined businesses. In China, we will sustain our strong momentum by further refining the relationship side of our dual business model, using the expertise from the acquired business. At the same time – using the expertise from legacy Lenovo – we will build the transaction side of our model outside of China to capitalize upon the significant opportunities in the high-growth SMB and emerging markets while enhancing our relationship business with a tightly integrated end-to-end management system," said Mr. Yang.

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William J. Amelio, Lenovo's president and chief executive officer, said, "Lenovo is a great business with innovative products and a disciplined operating plan. We are sharply focused on taking the steps now that we believe will make us successful and more profitable over the long term: improving our operating efficiency, building brand awareness, and expanding our dual business model.

"We're making steady progress, and we are very pleased with our accomplishments over the past year. We have confidence in our ability to take the appropriate measures for sustainable, profitable growth. We will grow and win by excelling in innovation, superior customer satisfaction, and operational excellence," Mr. Amelio said.

GEOGRAPHIC OVERVIEW

- In **Greater China**, Lenovo's leadership position was further strengthened by robust PC shipments in the fourth quarter. Shipments to mainland China were up 31 percent, ahead of the market, solidifying Lenovo's leadership position in the PC market. As a result, consolidated revenue for the fourth quarter totaled HK\$8.4 billion, or 35 percent of the Company's total revenue, while operating profit was HK\$402 million for the same period.

Operating results for the following geographic segments exclude the restructuring charge taken in the fourth fiscal quarter.

- Lenovo PC shipments in the **Americas** were flat year over year. Consolidated revenue in the Americas totaled HK\$7.4 billion in the fourth quarter, or 30 percent of total revenue, and the segment reported an operating loss of HK\$252 million.
- Shipments for the **Asia Pacific** business (excluding Greater China) declined 5 percent. Consolidated revenue in Asia Pacific totaled HK\$3.5 billion in the fourth quarter, or 14 percent of total revenue; and the segment delivered an operating profit of HK\$62 million.
- In the Europe, Middle East and Africa region (**EMEA**), shipments declined 3 percent. EMEA delivered consolidated revenue of HK\$5.1 billion in the fourth quarter, or 21 percent of total revenue, and an operating loss of HK\$87 million.

PRODUCT OVERVIEW

- Lenovo's **Notebook** shipments in the March quarter were up 14 percent year over year, reaching record high levels, driven by the Company's leading share of the China market. The segment's consolidated revenue was HK\$12.5 billion, or 51 percent, of the Company's total revenue.
- Lenovo's **Desktop** business also posted record shipments in the March quarter, with growth of 9 percent year over year. Consolidated revenue for the desktop PC segment was HK\$10.4 billion, or 43 percent of the overall total revenue.
- Lenovo's **Mobile Handset** business (conducted primarily in China) reported shipments of mobile handsets increased 122 percent in the fourth quarter, driving segment revenue of HK\$1.2 billion, up 109 percent year over year.

FULL YEAR RESULTS

For the 2005/06 fiscal year, consolidated revenue increased 359 percent year over year to HK\$103.6 billion. Lenovo's PC shipments grew 11 percent year over year. In the same period, pre-tax income (excluding restructuring charges taken in the fourth quarter) grew 7 percent to HK\$1.2 billion.

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Reflecting the restructuring charges taken in the fourth quarter, Lenovo reported full-year profit attributable to shareholders of HK\$173 million and basic earnings per share for the full 2005/06 fiscal year of 1.97 Hong Kong cents versus 14.99 Hong Kong cents for the 2004/05 fiscal year.

About Lenovo Group Ltd.

Lenovo (HKSE: 992) (ADR: LNVGY) is dedicated to building the world's most innovative personal computers. 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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