



[For Immediate Release]

LENOVO REPORTS FIRST QUARTER 2006/07 RESULTS

- Revenue of US\$3.5 billion, up 38% in 1Q FY2006/07
- EBITDA (excluding restructuring charges) of US\$81 million
- Pre-tax income (excluding restructuring charges) of US\$34 million
- Profit attributable to shareholders (including restructuring charges) of US\$5 million
- Basic EPS of 0.47 HK cents, or 0.06 US cents (including restructuring charges)
- Net cash reserves of US\$741 million (as of June 30, 2006)

HONG KONG, August 3, 2006 – Lenovo Group today reported results for the first fiscal quarter ended June 30, 2006. For the first quarter, consolidated revenue increased 38 percent year over year to US\$3.5 billion. The first fiscal quarter ended June 30, 2005, reflects two months' contribution from Lenovo's acquisition of IBM's Personal Computing Division (PCD), which closed on April 30, 2005.

During the first fiscal quarter, Lenovo's worldwide PC shipments grew more than 12 percent year over year, ahead of the industry average of 9 percent. Excluding restructuring charges taken in the first quarter, pre-tax income totaled US\$34 million. Net cash reserves as of June 30, 2006, totaled US\$741 million.

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\$19 million taken in the first fiscal quarter which ended June 30, 2006. Reflecting that restructuring charge, Lenovo reported pre-tax income of US\$15 million and basic earnings per share for the first quarter of 2006/07 of 0.47 HK cents, or 0.06 US cents.

"Lenovo delivered solid results in the first quarter, meeting our expectations and those of our Board," said Yang Yuanqing, Lenovo's chairman. "The key advantages of Lenovo are twofold. First, we are well positioned in high-growth areas, such as emerging and SMB markets. Second, we have a very clear strategic focus on our PC business. With this strategy, we continue to sustain our strong momentum in China while enhancing our relationship business outside of China. At the same time, we are expanding our transaction business outside of China. Going forward, we will continue to implement our strategy with decisive and persistent execution to keep the growth momentum."

William J. Amelio, Lenovo's president and chief executive officer, said, "We are encouraged with the progress we are making in transforming the company while at the same time growing market share and maintaining our overall profit margin in a highly competitive market. That said, we still have much to do; and we are moving swiftly and aggressively to take the necessary steps needed to make Lenovo a truly world-class global competitor. This will not be easy and it will take time, but I am confident in our ability to execute our action plan to transform this company."

Mr. Amelio continued, "We are focused on four specific initiatives: First, to deploy our transaction model more deeply and broadly in markets outside of China. Next, to enhance the short- and long-term performance of our global supply chain. Third, to grow our desktop business by leveraging our ability to differentiate through innovation and to continue our cost-reduction efforts. And finally, to build awareness of the Lenovo brand with dynamic advertising and marketing initiatives."

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GEOGRAPHIC OVERVIEW

- During the first quarter, Lenovo continued to lead the PC market in **Greater China**. Shipments to the region increased approximately 30 percent, well above the market's growth rate, fueled by the Company's successful expansion into townships and a robust notebook market. Consolidated revenue for the first fiscal quarter totaled US\$1.3 billion, or 39 percent of the Company's total revenue.
- Lenovo PC shipments in the **Americas** increased 6 percent. Consolidated revenue in the Americas totaled US\$1.0 billion in the first quarter, or 29 percent of total revenue.
- Shipments for the **Asia Pacific** business (excluding Greater China) increased 3 percent. Consolidated revenue in Asia Pacific totaled US\$461 million in the first quarter, or 13 percent of total revenue, driven in part by strong performance in India and improvement in the Company's business in Japan.
- In the Europe, Middle East and Africa region (**EMEA**), shipments decreased 12 percent. Consolidated revenue in EMEA totaled US\$662 million in the first quarter, or 19 percent of total revenue.

PRODUCT OVERVIEW

- Lenovo's **Notebook** shipments in the first fiscal quarter were up 23 percent year over year, due to the Company's strong position in the higher-priced segments of the PC market. Consolidated revenue was US\$1.8 billion, or 52 percent, of the Company's total revenue.
- Lenovo's **Desktop** business benefited from strong revenue growth in emerging markets such as China and India, driving shipment growth of 7 percent. Consolidated revenue for the desktop PC segment was US\$1.5 billion, or 42 percent of the Company's total revenue.
- Lenovo's **Mobile Handset** business (conducted primarily in China – the largest cell phone market in the world) saw continued strong growth driven by the rapid introduction of innovative products. Unit shipments of mobile handsets were up 97 percent (more than double the industry average), significantly increasing the Company's share of the market.

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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