



[For Immediate Release]

## LENOVO REPORTS FOURTH QUARTER AND FULL-YEAR 2006/07 RESULTS

- Full-year revenue of US \$14.6 billion, up 10%
- Full-year EBITDA (excluding restructuring) of US\$414 million, up 9%
- Full-year pre-tax income (excluding restructuring) of US\$200 million, up 29%
- Full-year profit attributable to shareholders (including restructuring) of US\$161 million, up 625%
- Full-year basic EPS of 1.87 US cents, or 14.61 HK cents, up 640%
- Net cash reserves of US\$946 million (as of March 31, 2007)

**HONG KONG, May 23, 2007**– Lenovo Group today reported results for its fourth fiscal quarter and full year ended March 31, 2007. Consolidated revenue for the quarter rose 9 percent year over year to US\$3.4 billion, driven by stronger performance in all geographies and product segments.

During the fourth quarter, Lenovo's worldwide PC shipments grew more than 17%, well ahead of the industry average of approximately 11 percent. Including the impact of restructuring, Lenovo reported pre-tax income of US\$66 million and basic earnings per share of 0.70 US cents, or 5.46 HK cents. The Company's gross profit margin for the fourth quarter reached 15.2 percent, a record for a quarter that reflected the full impact of the acquired business. Net cash reserves as of March 31, 2007, totaled US\$946 million. Lenovo's board of directors has proposed a final dividend of 2.80 HK cents, or 0.36 US cents per share.

"It was a solid quarter and strong fiscal year by any number of measures," said Lenovo's chairman, Yang Yuanqing. "Our performance confirms we have not only stabilized our business worldwide, but also that our focus on transactional business and emerging markets is beginning to reap very positive results. Lenovo posted gains in market share, revenue and profit in both the notebook and desktop segments as well as in all of our operating geographies, with the Americas business returning to profitability."

"We have significantly improved our business performance, and now we must build on our momentum and strive to grow faster and more profitably than the industry by providing the best-engineered PCs available on the market today," said William J. Amelio, president and chief executive officer. "Our recently implemented strategic measures – to implement a transaction model globally, improve our supply chain efficiency, enhance our desktop competitiveness, and build the Lenovo brand – will move us swiftly toward closing the efficiency gap between Lenovo and our competitors. We will continue to combine cost competitiveness and efficient delivery capabilities with innovative products to drive increased market share."

### GEOGRAPHIC OVERVIEW

- Lenovo **Greater China** posted US\$1.2 billion in consolidated revenue in the fourth fiscal quarter, up 13 percent, as the Company's growth in PC shipments outpaced the industry average for the Greater China market. Lenovo's performance in China was boosted by improved operational efficiency, a more flexible product mix and the development of additional value-added reseller partners to improve the coverage of certain vertical markets. The company's Greater China business accounted for 36 percent of total revenue in the quarter.

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- The **Americas** accounted for US\$997 million in consolidated revenue, or 29 percent of total revenue, driven by the completion of the transition of all sales coverage, along with initial signs of success from the roll-out of the transaction model into the U.S. Lenovo PC shipments in the Americas during the quarter increased 9 percent.
- In the Europe, Middle East and Africa region (**EMEA**), shipments increased 14% percent in the fourth fiscal quarter. For the same period, consolidated revenue totaled US\$731 million, or 21 percent of total revenue. Market demand in EMEA was driven primarily by strong performance in countries where Lenovo has rolled out its transaction model, supported by the growth in the consumer and small business segments, as well as emerging markets throughout the region.
- Shipments for the **Asia Pacific** business (excluding Greater China) increased 18 percent in the fourth fiscal quarter. Consolidated revenue in Asia Pacific totaled US\$473 million in the fourth quarter, or 14 percent of total revenue. Performance was driven by expanded transactional business and the launch of Lenovo consumer products into the geography.

## PRODUCT OVERVIEW

- Lenovo's **Notebook** computers continued to be the largest contributor to total revenue. Notebook shipments in the fourth fiscal quarter were up 29 percent year over year, and consolidated revenue was US\$1.9 billion, or 55 percent of total revenue for the quarter.
- In the fourth fiscal quarter, Lenovo's **Desktop** shipments rose 11 percent year over year. Consolidated revenue was US\$1.4 billion in the quarter, or 41 percent of total revenue.
- Shipments of Lenovo's **Mobile Handset** business, conducted primarily in China, increased 12 percent in the fourth fiscal quarter, generating consolidated revenue of US\$126 million, or 4 percent of total revenue.

## FULL YEAR RESULTS

For the 2006/07 fiscal year, consolidated revenue increased 10 percent year over year to US\$14.6 billion. Lenovo's PC shipments grew 12 percent year over year, ahead of the industry average of 10 percent. In the same period, pre-tax income (excluding restructuring) grew 29% to US\$200 million. The Company's full-year gross profit margin reached an annual record 14.0%.

Reflecting the impact of restructuring, Lenovo reported full-year profit attributable to shareholders of US\$161 million and basic earnings per share for the 2006/07 fiscal year of 1.87 US cents (or 14.61 HK cents) versus 0.25 US cents (or 1.95 HK cents) for the 2005/06 fiscal year.

### About Lenovo Group Ltd.

Lenovo (HKSE: 992) (ADR: LNVGY) is dedicated to building the world's best-engineered 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](http://www.lenovo.com).

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**LENOVO GROUP**  
**FINANCIAL SUMMARY**  
**For the fiscal quarter and year ended March 31, 2007**

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

	Q4 06/07	Q4 05/06	Y/Y % CHG	FY 06/07*	Y/Y % CHG
Turnover	\$3,416	\$3,125	9.3%	\$14,590	9.9%
Gross Profit	518	437	18.5%	2,037	9.6%
Operating Expenses	(460)	(456)	(0.9%)	(1,838)	1.6%
Other (Expense)/Income**	(4)	(21)	80.9%	1	N/A
Pre-Tax Income/(Loss) before restructuring cost	54	(40)	N/A	200	29.0%
Net Restructuring Cost Reversed/(Cost)	12	(70)	N/A	(12)	82.9%
Pre-Tax Income/(Loss)	66	(110)	N/A	188	122.0%
Profit/(Loss) Attributable to Shareholders	60	(116)	N/A	161	625.5%
EPS (US cents)					
Basic	0.70	(1.30)	N/A	1.87	640.4%
Diluted	0.68	(1.29)	N/A	1.84	644.0%
Dividend per share (HK cents)	2.80	2.80	---	5.20	---
EBITDA	117	32	265.6%	414	8.5%

\* Included only 11 months of contribution from acquired IBM's personal computer business in FY2005/06 for comparison.

\*\* Including finance income, finance cost and share of profits/(losses) of jointly controlled entities and associated companies.