



[For Immediate Release]

LENOVO REPORTS FIRST QUARTER 2007/08 RESULTS

- Quarterly revenue of US\$3.9 billion, up 13%
- Quarterly EBITDA (excluding restructuring) of US\$182 million, up 125%
- Pre-tax income (excluding restructuring) of US\$123 million, up 258%
- Profit attributable to shareholders (including restructuring) of US\$67 million
- Basic EPS of 0.78 US cents, or 6.10 HK cents, including restructuring charges
- Net cash reserves of US\$1.3 billion (as of June 30, 2007)

HONG KONG, August 2, 2007– Lenovo Group today reported strong results for its first fiscal quarter of 2007/08, ended June 30, 2007. Consolidated revenue for the quarter grew 13 percent, year over year, to US\$3.9 billion, driven by robust shipment growth in all geographies. Lenovo's worldwide PC shipments grew more than 22 percent in the quarter, well ahead of the industry average growth of approximately 13 percent.

Lenovo's gross profit margin for the first quarter improved to 14.9 percent, compared to 14.3 percent in the same period a year ago, and down 30 basis points sequentially. Excluding restructuring charges taken in the first quarter, pre-tax income increased 258 percent to US\$123 million. Net cash reserves as of June 30, 2007 totaled US\$1.3 billion.

In April 2007, Lenovo announced an action plan to strengthen its global competitive position and increase operational efficiency worldwide. As a result, Lenovo's reported results reflect a restructuring charge relating to the plan of approximately US\$45 million taken in the first fiscal quarter, which ended June 30, 2007. Reflecting that restructuring charge, Lenovo reported pre-tax income of US\$78 million and basic earnings per share for the first quarter of 2007/08 of 0.78 US cents, or 6.10 HK cents.

"In the past two years, through the formulation of the right strategy and effective execution, Lenovo's performance is showing signs of growth," said Lenovo Chairman Yang Yuanqing. "We are seeing signs from the strategic implementation of our integration plan that tell us the acquisition is on the path to success. Building upon a solid, healthy foundation, Lenovo has the ability to grow faster and tap the growth potential of the PC industry. We will not only improve the competitiveness of our existing business, but also actively expand the consumer business worldwide."

"The steps we have taken for enhanced operational efficiency and expense control positioned Lenovo to take advantage of a rising worldwide PC market and deliver another solid quarter across all regions – with each geography contributing to the Company's profitable growth," said William J. Amelio, president and chief executive officer. "As Lenovo's market share growth and execution of our core strategic initiatives continues to drive improved performance, we remain focused on the fundamentals of a dynamic global market. With the opening of a new marketing hub in India and new manufacturing/ fulfillment facilities in Mexico, India, China and the U.S., Lenovo continues to invest in key markets around the world, further improve our supply chain, and accelerate our ability to reach both existing and new regions and segments."

GEOGRAPHIC OVERVIEW

- Lenovo **Greater China** posted US\$1.5 billion in consolidated revenue in the first fiscal quarter, up 14 percent. The Company's growth in PC shipments outpaced the industry average for the Greater China market, driven by growth in both the Company's

transaction and relationship business. Lenovo's Greater China business accounted for 39 percent of total revenue in the quarter.

- The **Americas** accounted for US\$1.1 billion in consolidated revenue, or 29 percent of total revenue. The rollout of the transaction business model in the U.S. and Latin America continued to contribute to Lenovo's growing momentum in the region, which experienced double-digit volume and revenue growth year-over-year. Lenovo PC shipments in the Americas during the quarter increased 15 percent.
- In the Europe, Middle East and Africa region (**EMEA**), shipments increased 22 percent in the first fiscal quarter. For the same period, consolidated revenue totaled US\$755 million, or 19 percent of total revenue. The rollout of the transaction sales model contributed to revenue gains, with strong sales in Germany, France and the U.K. contributing to overall performance.
- Shipments for the **Asia Pacific** business (excluding Greater China) increased 12 percent in the first fiscal quarter. Consolidated revenue in Asia Pacific totaled US\$496 million in the first quarter, or 13 percent of total revenue. Performance was driven by expanded transaction business in India and ASEAN countries and the launch of Lenovo products into select consumer markets.

PRODUCT OVERVIEW

- Lenovo's **Notebook** computers continued to be the largest contributor to total revenue, driven by sales in China and the launch of consumer products in Asia. Notebook shipments in the first fiscal quarter were up 26 percent year over year, and consolidated revenue was US\$2.1 billion, or 53 percent of total revenue for the quarter.
- In the first fiscal quarter, Lenovo's **Desktop** shipments rose 20 percent year over year posting double-digit volume and revenue gains. Consolidated revenue was US\$1.7 billion in the quarter, or 43 percent of total revenue.
- Shipments of Lenovo's **Mobile Handsets**, conducted primarily in China, increased 2 percent in the first fiscal quarter, with Lenovo holding the #4 position in that market. Handset shipments generated consolidated revenue of US\$113 million, or 3 percent of total revenue.

ABOUT LENOVO

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.

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LENOVO GROUP
FINANCIAL SUMMARY
For the fiscal quarter ended June 30, 2007

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

	Q1 07/08	Q1 06/07	Y/Y % CHG
Turnover	\$3,926	\$3,476	13%
Gross Profit	585	497	18%
Gross Profit Margin	14.9%	14.3%	0.6 pts
Operating Expenses	(462)	(465)	(1%)
Operating Expense Margin	11.8%	13.4%	(1.6 pts)
Other Income*	0	2	N/A
Pre-Tax Income before restructuring cost	123	34	258%
Restructuring Costs	(45)	(19)	131%
Pre-Tax Income	78	15	425%
Profit Attributable to Shareholders	67	5	1184%
EPS (US cents)			
Basic	0.78	0.06	1200%
Diluted	0.74	0.06	1133%
EBITDA**	182	81	125%

* Including finance income, finance cost and share of profits/(losses) of associated companies

** Excluding restructuring charges