



[For Immediate Release]

LENOVO REPORTS SECOND QUARTER FY2006/07 RESULTS

- Revenue of US\$3.7 billion in 2Q FY2006/07
- EBITDA (excluding restructuring charges) of US\$89 million
- Pre-tax income of US\$43 million
- Profit attributable to shareholders of US\$38 million
- Basic EPS of 0.44 US cents, or 3.42 HK cents
- Net cash reserves of US\$990 million (as of September 30, 2006)

HONG KONG, November 9, 2006 – Lenovo Group today reported results for the second fiscal quarter ended September 30, 2006. Lenovo's consolidated revenue for the second quarter increased 1 percent year over year to US\$3.7 billion.

During the second fiscal quarter, Lenovo's worldwide PC shipments grew approximately 10 percent versus the industry average of approximately 8 percent. For the same period, Lenovo reported pre-tax income of US\$43 million and basic earnings per share for the second quarter of 2006/07 of 0.44 US cents, or 3.42 HK cents. Net cash reserves as of September 30, 2006, totaled US\$990 million. Lenovo's board of directors has declared an interim dividend of 2.40 HK cents, or 0.31 US cents.

"In the past quarter, our business in China continued its high growth and captured additional market share, while our worldwide market share also grew," said Yang Yuanqing, Lenovo's chairman. "At the same time, our operational efficiency improved due to our restructuring efforts. However, due to slow growth in mature PC markets and intensified competition, we did face some challenges in certain segments. We remain sharply focused on enhancing our cost structure, sales model, product competitiveness and supply chain efficiency, so as to further enhance our core competitiveness and build a world-class business model. The board and the management team are highly confident in the ultimate results of these initiatives."

William J. Amelio, Lenovo's president and chief executive officer, said, "We are confident that the business is moving in the right direction and that we will soon begin to see the benefits of our strategic initiatives and hard work. Our expense reductions are on track, and we are making solid progress against the four key initiatives – transaction model rollout, supply chain improvements, desktop competitiveness and brand-building – introduced last quarter. We are moving carefully and sensibly to enhance operational excellence and, therefore, our market competitiveness, but as we've said in the past, the full benefits of those actions will take several quarters to realize."

GEOGRAPHIC OVERVIEW

- In **Greater China**, Lenovo's leadership position continued to grow; PC shipments to mainland China were up 25 percent in the September quarter, ahead of the market's growth rate. Consolidated revenue for the second fiscal quarter totaled US\$1.4 billion, or 39 percent of the Company's total revenue, including the Company's mobile handset business, which is conducted primarily in China.
- Lenovo PC shipments in the **Americas** decreased 9 percent in the second fiscal quarter. Consolidated revenue in the Americas totaled US\$1.1 billion in the second quarter, or 29 percent of total revenue.

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- In the Europe, Middle East and Africa region (**EMEA**), shipments increased 5 percent in the second fiscal quarter. Consolidated revenue in EMEA totaled US\$751 million in the second quarter, or 20 percent of total revenue.
- Shipments for the **Asia Pacific** business (excluding Greater China) were flat in the second fiscal quarter. Consolidated revenue in Asia Pacific totaled US\$439 million in the second quarter, or 12 percent of total revenue.

PRODUCT OVERVIEW

- Lenovo's **Notebook** shipments were up 20 percent year over year in the second fiscal quarter, and consolidated revenue was US\$1.9 billion, or 52 percent of the Company's total revenue.
- Lenovo's **Desktop** shipments were up 4 percent year over year in the second fiscal quarter. Consolidated revenue was US\$1.6 billion in the second quarter, or 42 percent of the Company's total revenue.
- Lenovo's **Mobile Handset** business (conducted primarily in China) reported shipment growth of 39 percent in the second fiscal quarter and consolidated revenue of \$166 million, or 4.5 percent of the Company's total revenue.

2006/07 INTERIM RESULTS

For the six months ended September 30, 2006, consolidated revenue increased 16 percent year over year to US\$7.2 billion. The 2005/06 period contains only five months' contribution from Lenovo's acquisition of IBM's Personal Computing Division (PCD), which closed on April 30, 2005.

During the first half of the fiscal year, Lenovo's PC shipments grew approximately 28 percent year over year. In the same period, pre-tax income (excluding restructuring charges taken during the six-month period) totaled US\$79 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 restructuring charges relating to the plan of approximately US\$21 million taken in the six-month period ended September 30, 2006. Reflecting those restructuring charges, Lenovo reported profit attributable to shareholders of US\$43 million and basic earnings per share for the interim 2006/07 period of 0.50 US cents, or 3.89 HK cents.

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.

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IR Contacts:

Feon Lee

(852) 2516-4843

feonlee@lenovo.com