



[For Immediate Release]

## LENOVO REPORTS THIRD QUARTER 2007/08 RESULTS

- Quarterly sales jumps 15% to US\$4.6 billion
- Quarterly EBITDA (excluding restructuring) of US\$244 million, up 91%
- Quarterly pre-tax income (excluding restructuring) surges 190% to US\$192 million
- Quarterly profit attributable to shareholders (including restructuring) of US\$172 million, up 198%
- Quarterly basic EPS (including restructuring) of 1.93 US cents, or 15.01 HK cents, up 188%
- Net cash reserves of US\$2.0 billion (as of December 31, 2007)

**HONG KONG, January 31, 2008** – Lenovo Group today reported strong financial results for its third fiscal quarter of 2007/08, which ended December 31, 2007. Sales for the quarter jumped 15%, year over year, to US\$4.6 billion, driven by double-digit growth in Lenovo PC unit shipments and sales across all of the Company's operating geographies. For the seventh consecutive quarter, Lenovo worldwide PC shipments exceeded the average growth rate of the global PC market, with year-over-year growth of 22%, healthily outpacing the industry average growth of 16%.

Lenovo's segment operating profit margin for the third quarter of 2007/08 was 4.4%, compared to 2.4% in the same period a year ago, and up 0.4 percentage points sequentially, evidence of the Company's operating efficiency efforts. For the third quarter of 2007/08, Lenovo reported pre-tax income of US\$192 million (excluding restructuring) and basic earnings per share of 1.93 US cents, or 15.01 HK cents. Net cash reserves as of December 31, 2007, totaled US\$2.0 billion.

"Our outstanding third quarter results demonstrate again Lenovo's acquisition and integration strategies are correct, with good execution," said Lenovo Chairman Yang Yuanqing. "Lenovo's ability to achieve faster-than-market growth and profitability was a direct result of the improvements to our competitiveness. In the next phase, we will maintain our momentum in the relationship business and in the Greater China region, while pushing forward with our transaction and consumer business globally, to continue on the path of profitable growth."

William J. Amelio, Lenovo's president and CEO, said, "The quarter illustrates not only our ability to deliver consistent, predictable performance, but also the PC market's resiliency. The global PC market is expected to grow in the double digits in 2008, given strong outlooks in Asia and emerging markets. We also expect to see an impact from the recent extension of our product offerings to include higher-margin products, such as workstations and servers, to further balance our product portfolio. Despite increasing economic uncertainties, we remain confident in our ability to continue to deliver profitable growth that outpaces our industry." Amelio also cited Lenovo's diverse sales distribution, where a full 75% of the Company's sales are generated outside the Americas.

"We enter 2008 with continuing market momentum and significant progress against our strategic priorities," said Amelio. "This will be a key year for Lenovo, as 2008 will mark our first year without IBM branding on our products. We believe 2008 will be a breakout year for the Lenovo brand on the world stage, with the implementation of our new global consumer branding campaign centered around "Ideas" and sponsorship of the Beijing Summer Olympic Games."

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## GEOGRAPHIC OVERVIEW

- Lenovo **Greater China** posted US\$1.8 billion in sales in the third fiscal quarter, up 16% year over year, as the Company's 26% growth in PC shipments outpaced the industry average for the Greater China market. The growth further strengthened Lenovo's leading market position in China's PC market, with a market share of about 29.0%, up 0.3 percentage points from a year ago. Lenovo's growth was fueled by strong shipments of both large enterprise desktop computers and consumer PC notebook shipments. China business accounted for 40% of total sales in the quarter.
- The **Americas** accounted for US\$1.2 billion in sales in the third fiscal quarter, or 25% of total sales. The continued rollout of the transaction-based sales model contributed to success in the region, which experienced double-digit volume and sales growth year over year. (The transaction-based sales model targets consumers and small business customers.) Lenovo PC shipments in the Americas during the quarter increased 15%, despite increasing economic uncertainty and turmoil in the credit and equities markets in the U.S.
- In the Europe, Middle East and Africa region (**EMEA**), shipments jumped a robust 24% in the third fiscal quarter. For the same period, sales totaled US\$1.1 billion, or some 24% of total sales.
- **Asia Pacific** (excluding Greater China) PC shipments increased 20% in the third fiscal quarter. Sales in Asia Pacific totaled US\$535 million in the third quarter, or 12% of total sales.

## PRODUCT OVERVIEW

- Lenovo's **Notebook** computers continued to be the largest contributor to total sales. Notebook shipments in the third fiscal quarter were up 38% year over year, and sales were US\$2.6 billion, or 56% of total sales for the quarter.
- In the quarter, Lenovo's **Desktop** shipments rose 12% year over year, posting strong volume and sales share gains. Sales were US\$1.8 billion in the quarter, or 40% of total sales.
- Shipments of Lenovo's **Mobile Handsets**, conducted primarily in China, showed a decrease of 31% in the quarter. Handset shipments generated sales of US\$108 million, or 2% of total sales, as the handset business continues to represent a smaller portion of total sales.

Lenovo Group today announced that it has signed a conditional sales and purchase agreement to sell its entire interest in its mobile handset business to a private equity group led by Hony Capital, the private equity arm of Legend Holdings, for US\$100 million. The transaction is conditional upon Lenovo independent shareholder approval. The business sells mobile handsets and related equipment predominantly in China. This agreement helps support Lenovo's long-term strategic priorities by enabling the Company and its management to focus on its core PC businesses while enabling the handset business to operate independently and set its own strategic direction.

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**ABOUT LENOVO**

Lenovo (HKSE: 992) (ADR: LNVGY) develops, manufactures and markets high-quality, secure and easy-to-use technology products and services worldwide and is dedicated to building the world's best-engineered personal computers. Formed by Lenovo Group's acquisition of the former IBM Personal Computing Division, Lenovo's heritage in both emerging and developed markets has resulted in a New World Company business model where ideas, operations and resources are borderless and mobile. With four operational hubs in Beijing, Raleigh, Singapore and Paris, Lenovo has major research centers in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; and Raleigh, North Carolina, as well as a marketing center in Bangalore, India. For more information, see [www.lenovo.com](http://www.lenovo.com)

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**LENOVO GROUP**  
**FINANCIAL SUMMARY**  
For the fiscal quarter and nine months ended December 31, 2007

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

	Q3 07/08	Q3 06/07	Y/Y % CHG	9 months ended 12/31/07	Y/Y % CHG
Sales	4,602	3,998	15.1%	12,960	16.0%
Gross Profit	702	542	29.6%	1,954	28.6%
Gross Profit Margin	15.2%	13.5%	1.7 pts	15.1%	1.6 pts
Operating Expenses	(521)	(471)	10.8%	(1,531)	11.1%
Operating Expense Margin	11.3%	11.8%	(0.5) pt	11.8%	(0.4) pt
Other Income / (Expenses)*	11	(5)	N/A	16	219.3%
Pre-Tax Income before restructuring cost	192	66	189.9%	439	202.1%
Restructuring Costs	(2)	(2)	(30.0)%	(48)	103.6%
Pre-Tax Income	190	64	197.8%	391	221.3%
Profit Attributable to Shareholders	172	58	197.5%	344	241.0%
EPS (US cents)					
Basic	1.93	0.67	188.1%	3.95	237.6%
Diluted	1.76	0.64	175.0%	3.63	218.4%
EBITDA**	244	128	90.8%	636	113.4%

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

\*\* Excluding restructuring charges