

Lenovo Group Limited

2005/06 3Q Results

January 26, 2006

Lenovo Financial Summary

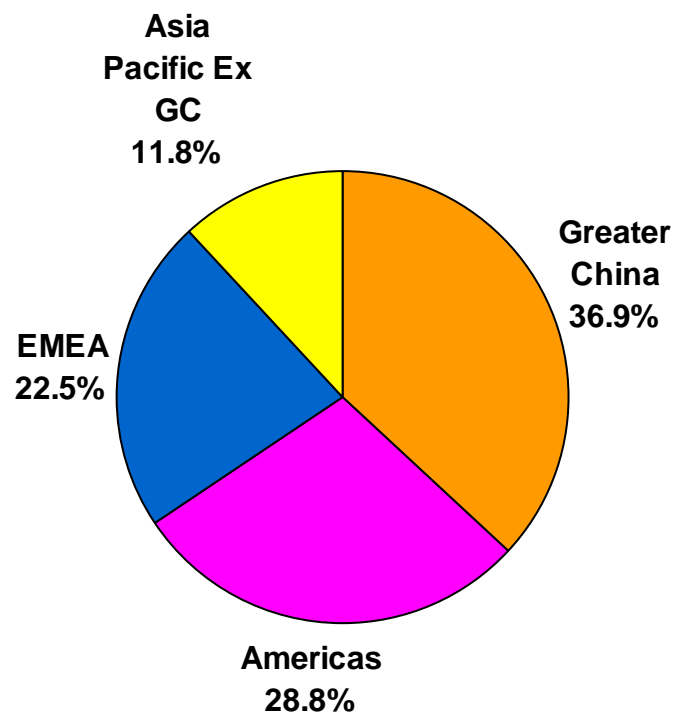
	2Q 2005/06		3Q 2005/06		YTD 2005/06	
	HK\$ mn	Y/Y	HK\$ mn	Y/Y	HK\$ mn	Y/Y
Turnover	28,494	404%	31,066	392%	79,173	344%
GP %	14.0%	+2.0 pts	13.2%	+1.2 pts	14.0%	+1.4 pts
Operating Expenses	3,438	611%	3,568	719%	9,461	560%
E/R %	12.1%	+3.6 pts	11.5%	+4.6 pts	11.9%	+3.9 pts
Other Exp/(Income)	45	NA	28	NA	109	NA
Pre-tax Income	507	70%	498	46%	1,520	56%
PTI %	1.8%	-3.5 pts	1.6%	-3.8 pts	1.9%	-3.5 pts
Profit Attributable to Shareholders	354	22%	365	12%	1,076	13%
EPS (HK cents)						
- Basic	3.95	2%	4.12	-6%	12.19	-4%
- Diluted	3.92	1%	4.05	-7%	12.09	-5%

Cash and Working Capital

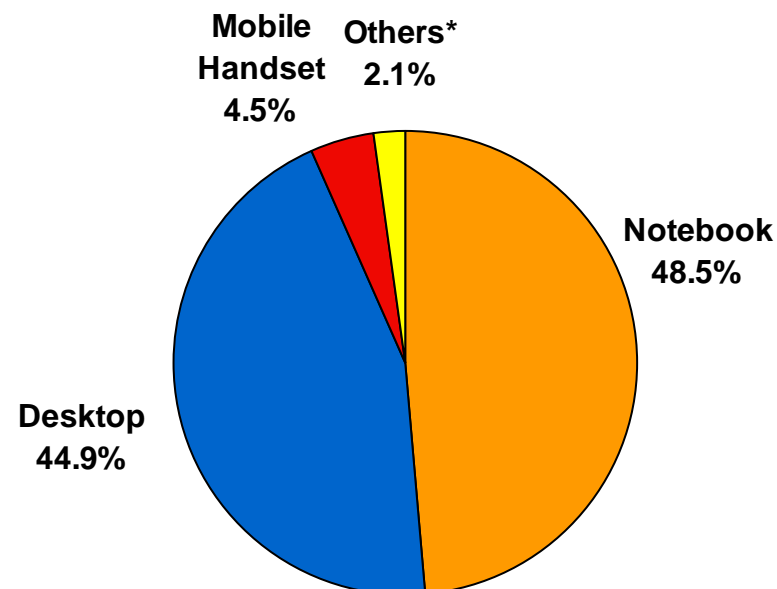
<u>HK\$ mn</u>	<u>2Q 2005/06</u>	<u>3Q 2005/06</u>	<u>3Q 2004/05</u>
EBITDA	948	949	370
Cash Reserves	11,672	13,411	3,579
Total Bank Borrowings	3,900	3,853	225
Net Cash Reserves	7,772	9,558	3,354
Days Inventory	8 days	10 days	15 days
Days Receivable	22 days	20 days	37 days
Days Payable	61 days	56 days	52 days
Cash Conversion Cycle	-31 days	-26 days	0 day

Revenue Breakdown (3Q 2005/06)

Strong Geographic Mix



Strong Notebook Mix



*Others includes servers, printers, digital products, IT services, etc.

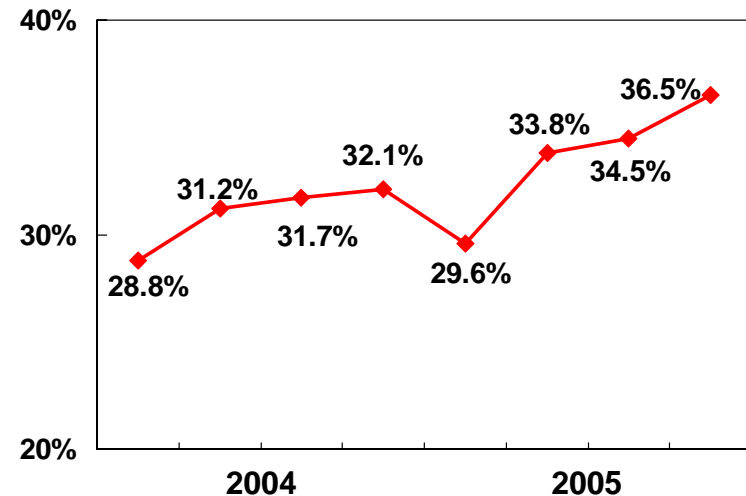
Geography Summary

	Turnover HK\$ mn			Segment Operating Profit HK\$ mn			Segment Operating Profit Margin		
	2Q	3Q	YTD	2Q	3Q	YTD	2Q	3Q	YTD
GC	10,198	11,453	29,587	567	744	1,774	5.6%	6.5%	6.0%
Americas	9,061	8,948	23,539	215	196	660	2.4%	2.2%	2.8%
EMEA	5,813	6,993	16,468	(68)	14	(14)	(1.2%)	0.2%	(0.1%)
AP (ex GC)	3,422	3,672	9,579	99	(139)	(69)	2.9%	(3.8%)	(0.7%)
Total	28,494	31,066	79,173	813	815	2,351	2.9%	2.6%	3.0%

Greater China

- Strong 3Q performance
 - Operating profit margin 6.5%
 - PC shipments up 39% in mainland China
 - Estimated PC market share 36.5% in mainland China
- Key success factors:
 - Competitive cost and expense structure
 - Extensive customer coverage
 - Broad product portfolio
 - Strong customer service reputation
 - Strong Lenovo brand

**Lenovo PC Market Share
(Mainland China)**



*Results before acquisition reflect combined shares of Lenovo and IBM PCD

Americas, EMEA, and AP (ex. GC)

- Americas
 - Steady profitability
 - Record ThinkPad shipments
 - Improved performance in Express channel
- EMEA
 - Breakeven results
 - Record ThinkPad shipments
 - Mixed performance by region
- Asia Pacific (ex. GC)
 - Decline in profitability
 - Japan execution
 - Need to address SMB
- Requirements to improve profitability
 - Broaden product offerings to address high-growth opportunities
 - Strengthen transaction model
 - Competitive cost and expense structure

Notebook and Desktop 3Q 2005/06

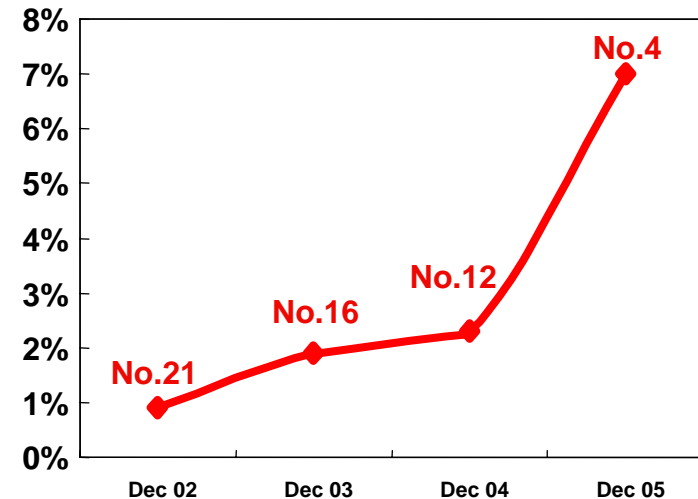
	<u>Notebook</u>	<u>Desktop</u>
Revenue (HK\$ Billion)	15.1	14.0
Unit Growth Y/Y	18%	10%

	China	Americas / EMEA / AP
Product Competitiveness	Mainstream and Premium	Premium
Brand	Lenovo and Think	Think
Market Success	All Markets	Traditional Large Enterprise
Model	Relationship / Transaction	Relationship

Mobile Handset 3Q 2005/06

- Unit shipments up 295% Y/Y
- Revenue HK\$ 1.4 billion, up 238% Y/Y
- Launched 6 new models with strong market response
- Key success factors:
 - Successful product launches backed with in-house R&D capability and understanding of customer needs
 - Sales channel expansion in chain stores

Market Share & Rank (2002-2005)



i720



V707

Source: Market performance is based on industry and company estimates in GSM mobile handset market in mainland China

Summary

- 2005/06 3Q
 - Greater China – continued strong performance
 - International Geographies – mixed business performance
 - Integration – continued organizational and financial progress
- Near-term Objectives
 - Improve operational efficiency and cost / expense structure
 - Broaden product line, improve competitiveness to address high-growth opportunities
 - Strengthen Relationship / Transaction dual model

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Appendix

- Income Statement
- Balance Sheet
- Cash Flow Statement

Condensed Consolidated Income Statement

HK\$ Million	2005/06 Q3	2005/06 Q1 - Q3	2004/05 Q3	2004/05 Q1 - Q3
Turnover	31,066	79,173	6,309	17,842
EBITDA	950	2,727	370	979
Depreciation expenses and amortization of prepaid lease payments	(131)	(368)	(43)	(145)
Amortization of intangible assets	(205)	(572)	(5)	(21)
Amortization of share-based compensation	(87)	(157)	-	-
Impairment of assets	-	-	-	(51)
Gain/(loss) on disposal of investments and available-for-sale financial assets	-	(1)	(5)	159
Finance income	61	128	23	65
Profit from operations	588	1,757	340	986
Finance costs	(95)	(242)	(2)	(6)
	493	1,515	338	980
Share of profits/(losses) of jointly controlled entities	-	1	(1)	(11)
Share of profits of associated companies	5	4	4	3
Profit before taxation	498	1,520	341	972
Taxation	(116)	(401)	(18)	(43)
Profit for the period	382	1,119	323	929
Profit attributable to:				
Shareholders of the Company	365	1,076	327	954
Minority interests	17	43	(4)	(25)
	382	1,119	323	929
Dividend	N/A	212	N/A	179
Earnings per share				
- basic	4.12 HK cents	12.19 HK cents	4.37 HK cents	12.76 HK cents
- diluted	4.05 HK cents	12.09 HK cents	4.36 HK cents	12.74 HK cents

Condensed Consolidated Balance Sheet

HK\$ Million	As at 12/31/2005	As at 3/31/2005
Intangible assets	14,770	513
Property, plant and equipment	1,627	828
Prepaid lease payments	50	50
Construction-in-progress	100	257
Investments	134	244
Available-for-sale financial assets	191	63
Deferred tax assets	299	53
Other non-current assets	9	570
Current assets	28,816	6,454
Current liabilities	28,443	3,473
Net current assets	373	2,981
Total assets less current liabilities	17,553	5,559
Shareholders' funds	9,386	5,204
Minority interests	6	24
Long-term liabilities	8,161	331
	17,553	5,559

Condensed Consolidated Cash Flow Statement

HK\$ Million	2005/06 Q1 – Q3	2004/05 Q1 – Q3
Net cash inflow from operating activities	11,037	1,409
Net cash outflow from investing activities	(5,626)	(299)
Net cash inflow/(outflow) from financing activities	5,034	(181)
Increase in cash and cash equivalents	10,445	929
Effect of foreign exchange rate changes	(53)	-
Cash and cash equivalents at the beginning of the period	3,019	2,650
Cash and cash equivalents at the end of the period	13,411	3,579