

Lenovo Group Limited

2005/06 4Q Results

May 25, 2006

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Lenovo Financial Summary

	3Q 2005/06		4Q 2005/06			FY 2005/06		
	HK\$ mn	%	HK\$ mn	%	Y/Y	HK\$ mn	%	Y/Y
Turnover	31,066		24,378		417%	103,551		359%
Gross Profit	4,095	13.2%	3,406	14.0%	-0.1pts	14,496	14.0%	+1.1 pts
Operating Expenses	3,569	11.5%	3,560	14.6%	+3.0pts	13,022	12.6%	+3.8 pts
Other Exp/(Income)	28	0.1%	163	0.7%		272	0.3%	
Pre-tax income before restructuring cost	498	1.6%	(317)	-1.3%	-304%	1,202	1.2%	7%
Restructuring Cost	-		543			543		
Pre-tax Income/(Loss)	498		(860)		-654%	659		-42%
Profit Attributable to Shareholders	365		(903)		-644%	173		-85%
EPS (HK cents)								
- Basic	4.12		(10.16)		-556%	1.97		-87%
- Diluted	4.05		(10.05)		-551%	1.93		-87%
Dividend (HK cents)			2.8		Proposed Final	5.2		Proposal Total

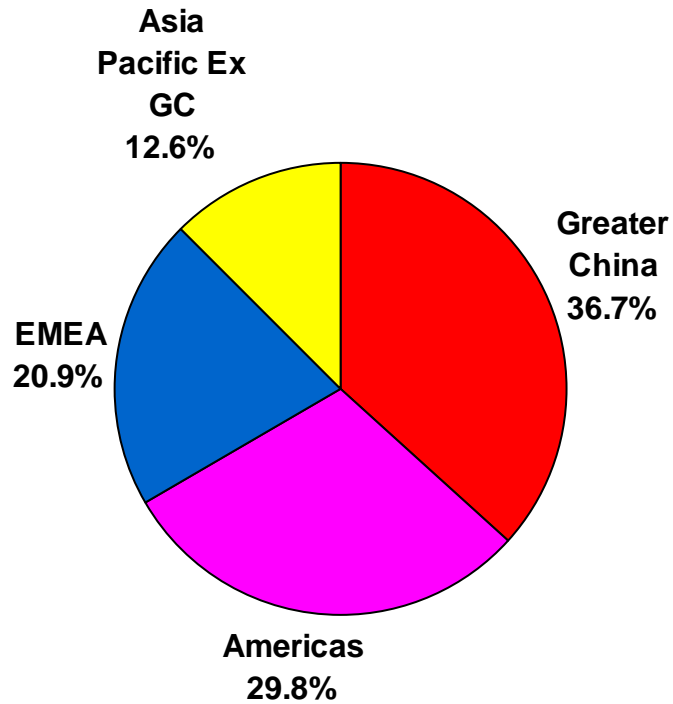
Cash and Working Capital

HK\$ mn	<u>3Q 2005/06</u>	<u>4Q 2005/06</u>	<u>FY 2005/06</u>	<u>FY 2004/05</u>
EBITDA*	949	252	2,979	1,174
Cash Reserves	13,411	7,839	7,839	3,019
Total Bank Borrowings	3,853	1,781	1,781	0
Net Cash Reserves	9,558	6,058	6,058	3,019
Days Inventory	10	14	10	20
Days Receivable	20	23	21	35
Days Payable	56	73	59	50
Cash Conversion Cycle	-26 days	-36 days	-28 days	5 days

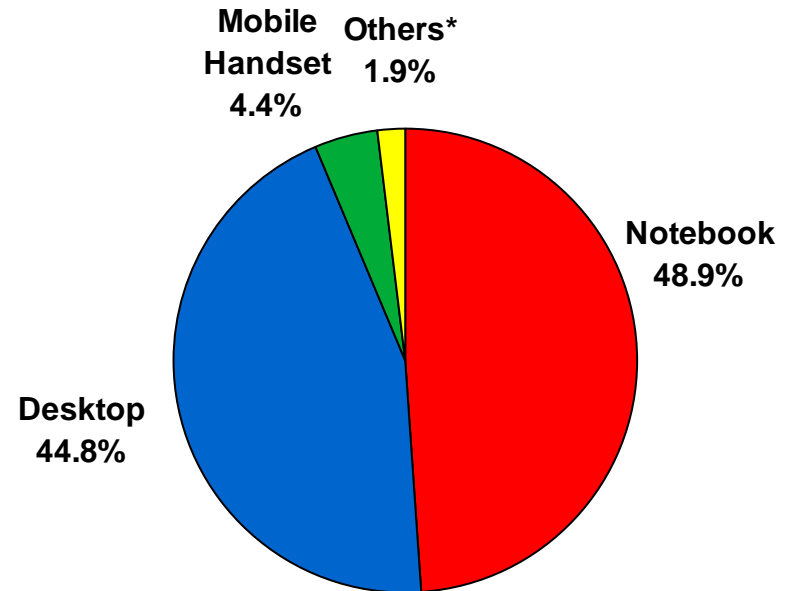
*Excluding restructuring charges

Revenue Breakdown (FY 2005/06)

Strong Geographic Mix



Strong Notebook Mix



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

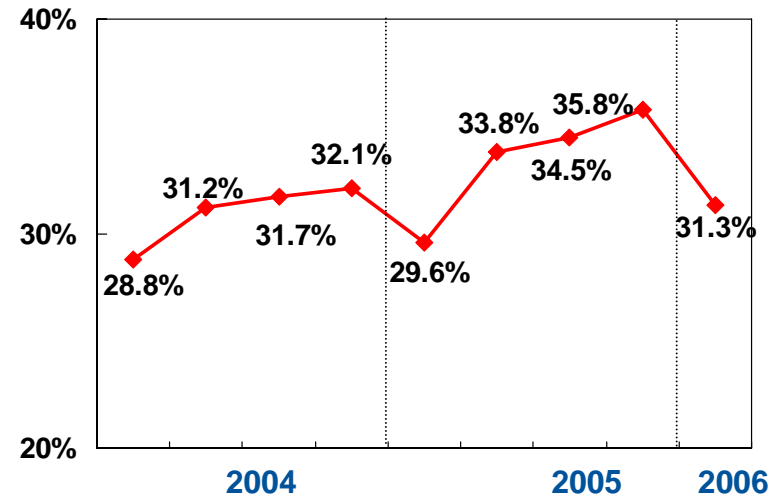
Geography Summary (excluding restructuring charges in 4Q)

	Turnover HK\$ mn			Segment Operating Profit HK\$ mn			Segment Operating Profit Margin		
	3Q	4Q	FY	3Q	4Q	FY	3Q	4Q	FY
GC	11,453	8,411	37,998	744	402	2,176	6.5%	4.8%	5.7%
Americas	8,948	7,361	30,900	196	(252)	408	2.2%	(3.4%)	1.3%
EMEA	6,992	5,147	21,615	14	(87)	(101)	0.2%	(1.7%)	(0.5%)
AP (ex GC)	3,672	3,459	13,038	(139)	62	(8)	(3.8%)	1.8%	(0.1%)
Total	31,066	24,378	103,551	815	125	2,476	2.6%	0.5%	2.4%

Greater China

- Strong 4Q performance
 - Operating profit margin 4.8%
 - Mainland China:
 - PC shipments up 31%
 - Estimated PC market share 31.3%
- Sustained profitable growth in 2005/06
 - Integrated PCD sales team & Think products
 - Industry-leading initiatives
 - Strong Relationship model
 - Tier 5&6 market expansion
 - AMD product offerings
 - Strong customer service
 - Highly efficient supply chain

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



*Calendar year 2004-2006, results before acquisition reflect combined shares of Lenovo and IBM PCD

Source: Market performance is based on industry and company estimates in PC market in mainland China

Americas, EMEA, and AP (ex. GC)

- Americas
 - Seasonality impact on fixed expense and cost
 - GP% decline – Competitive pricing
 - Incremental investments in new channel & products
- EMEA
 - Seasonality and investments
 - Improved focus on profit management
- Asia Pacific (ex. GC)
 - Significant improvement in gross profit margin
 - Strong performance in India emerging market
 - More improvement required in Japan

Notebook and Desktop 4Q 2005/06

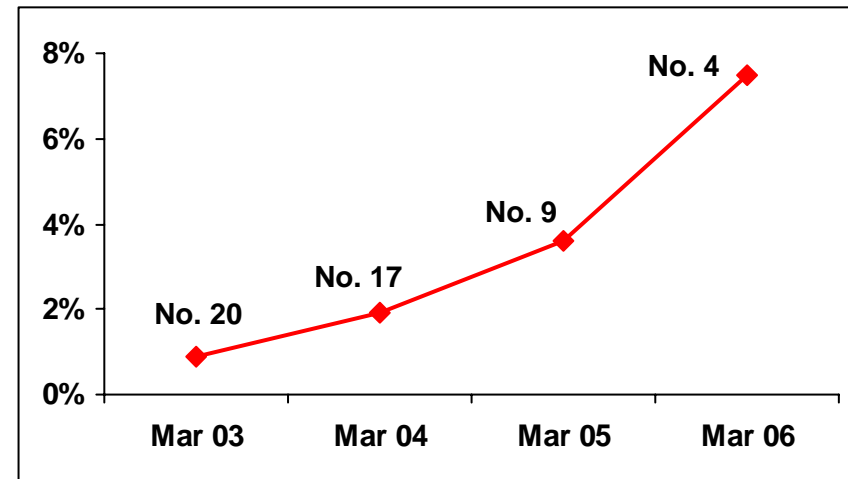
	<u>Notebook</u>	<u>Desktop</u>
Revenue (HK\$ Billion)	12.5	10.4
Unit Growth Y/Y	14%	9%

	China	Americas / EMEA / AP	
Product Competitiveness	Mainstream and Premium	Premium	Mainstream
Brand	Lenovo and Think	Think	Lenovo
Market Success	All Markets	LE	SMB & Emerging Mkts
Model	Relationship / Transaction	Relationship	Transaction

Mobile Handset 4Q 2005/06

- Unit shipments up 122% Y/Y
- Revenue HK\$1.2 billion, up 109% Y/Y
- Launched 4 new models with strong market response
- Key success factors:
 - Continually launched attractive models, supported by strong sales promotion during new year holidays
 - Successfully expanded sales channels by working with chain stores and telecom service carrier

Market Share & Rank (2003 - 06)



i921



E320

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

Summary

- 2005/06 4Q
 - 4Q and FY results exceeded acquisition business plan
 - Greater China: Continued strong performance
 - International Geographies:
 - Profitable
 - Launched initiatives to increase competitiveness
 - Continued strong cash management
- 2006/07 Financial Drivers
 - China: Continued leveraging of Lenovo business model
 - Americas/EMEA/AP: Expansion of Lenovo business model
 - Restructuring initiatives yielding 2nd-half benefit
 - Investment in Lenovo brand
 - Investment in Relationship and Transaction model
 - Gradual growth of Lenovo brand product family

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Appendix

- **Income Statement**
- **Balance Sheet**
- **Cash Flow Statement**

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Condensed Consolidated Income Statement*

HK\$ Million	2005/06 Q4	2005/06 Full Year	2004/05 Q4	2004/05 Full Year
Turnover	24,378	103,551	4,713	22,555
EBITDA**	252	2,979	195	1,174
Depreciation expenses and amortization of prepaid lease payments	(124)	(492)	(39)	(184)
Restructuring costs	(543)	(543)	-	-
Amortization of intangible assets	(207)	(780)	(37)	(58)
Amortization of share-based compensation	(75)	(232)	-	-
Impairment of assets	(23)	(23)	-	(51)
(Loss)/gain on disposal of investments and available-for-sale financial assets	(4)	(5)	(2)	156
Finance income	61	189	40	105
Profit from operations	(663)	1,093	157	1,142
Finance costs	(197)	(438)	(1)	(6)
	(860)	655	156	1,136
Share of profits/(losses) of jointly controlled entities	-	1	(1)	(12)
Share of profits of associated companies	(0)	4	0	4
Profit before taxation	(860)	660	155	1,128
Taxation	(43)	(444)	8	(36)
Profit after taxation	(903)	216	163	1,092
Profit attributable to:				
Shareholders of the company	(903)	173	166	1,120
Minority interests	0	43	(3)	(28)
	(903)	216	163	1,092
Dividends	N/A	465	N/A	389
Earnings per share				
- Basic	(10.16) HK cents	1.97 HK cents	2.23 HK cents	14.99 HK cents
- Diluted	(10.05) HK cents	1.93 HK cents	2.23 HK cents	14.97 HK cents

* Only full year results are audited.

** EBITDA before restructuring costs

Condensed Consolidated Balance Sheet

HK\$ Million	As at 3/31/2006	As at 3/31/2005
Property, plant and equipment	1,734	828
Prepaid lease payments	50	50
Construction-in-progress	218	257
Intangible assets	14,897	513
Investments in jointly controlled companies	-	192
Investments in associated companies	71	52
Deferred tax assets	486	53
Available-for-sale financial assets/investment securities	236	63
Other non-current assets	287	570
Current assets	21,337	6,454
Current liabilities	24,822	3,473
Net current (liabilities)/assets	(3,485)	2,981
Total assets less current liabilities	14,494	5,559
Shareholders' funds	8,142	5,204
Minority interests	6	24
Long-term liabilities	6,346	331
	14,494	5,559

Condensed Consolidated Cash Flow Statement

HK\$ Million	2005/06 Full Year	2004/05 Full Year
Net cash generated from operating activities	8,095	1,259
Net cash used in investing activities	(6,023)	(486)
Net cash generated from/(used in) financing activities	2,731	(404)
Increase in cash and cash equivalents	4,803	369
Cash and cash equivalents at the beginning of the year	3,019	2,650
Effect of foreign exchange rate changes	16	(0)
Cash and cash equivalents at the end of the year	7,838	3,019