

Lenovo Group Limited

2006/07 Interim Results

November 9, 2006

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Mary Ma

Senior Vice President & Chief Financial Officer

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Lenovo Financial Summary

	2Q 2006/07				2Q 2005/06		YTD 2006/07	
	US\$mn	%	Y/Y	Q/Q	US\$mn	%	US\$mn	%
Turnover	3,700		1.3%	6.4%	3,653		7,176	
Gross Profit	480	13.0%	-1.0 pts	-1.3 pts	512	14.0%	977	13.6%
Operating Expenses	443	12.0%	-0.1 pts	-1.4 pts	441	12.1%	908	12.7%
Other Expense/(Income)**	(8)	0.2%			6	0.2%	(10)	0.2%
Pre-tax income before restructuring cost	45	1.2%	-30.8%	31.3%	65	1.8%	79	1.1%
Restructuring Cost	2				-		21	
Pre-tax Income	43		-33.8%	189.7%	65		58	
Profit Attributable to Shareholders	38		-16.6%	627.7%	45		43	
EPS (US cents)								
-Basic	0.44		-13.7%	633.3%	0.51		0.50	
-Diluted	0.43		-14.0%	616.7%	0.50		0.49	
Dividend per share (HK cents)	2.40		-		2.40		2.40	

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

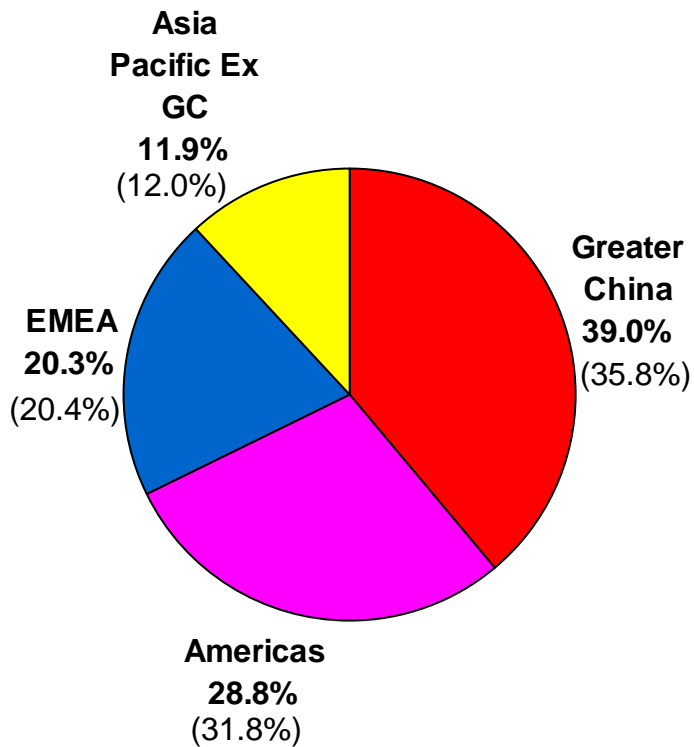
Cash and Working Capital

US\$mn	<u>2Q 2006/07</u>	<u>2Q 2005/06</u>	<u>1Q 2006/07</u>
EBITDA**	89	122	81
Cash Reserves	1,101	1,496	852
Total Bank Borrowings	111	500	111
Net Cash Reserves	990	996	741
Days Inventory	10	8	11
Days Receivable	23	22	21
Days Payable	59	61	59
Cash Conversion Cycle	-26 Days	-31 Days	-27 Days

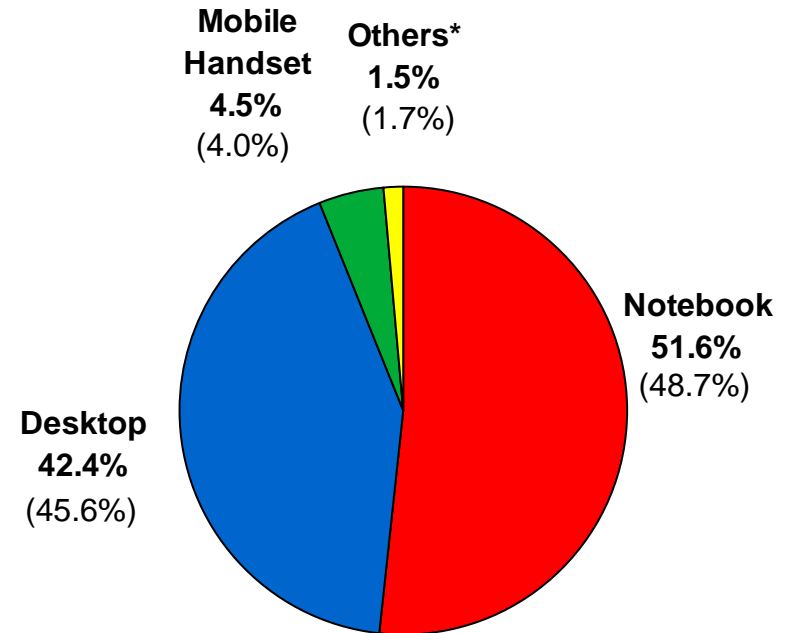
** Excluding restructuring charges

Revenue Breakdown (2Q 2006/07)

Balanced Geographic Mix



Strong Notebook Mix



2Q 2005/06 figures are in bracket

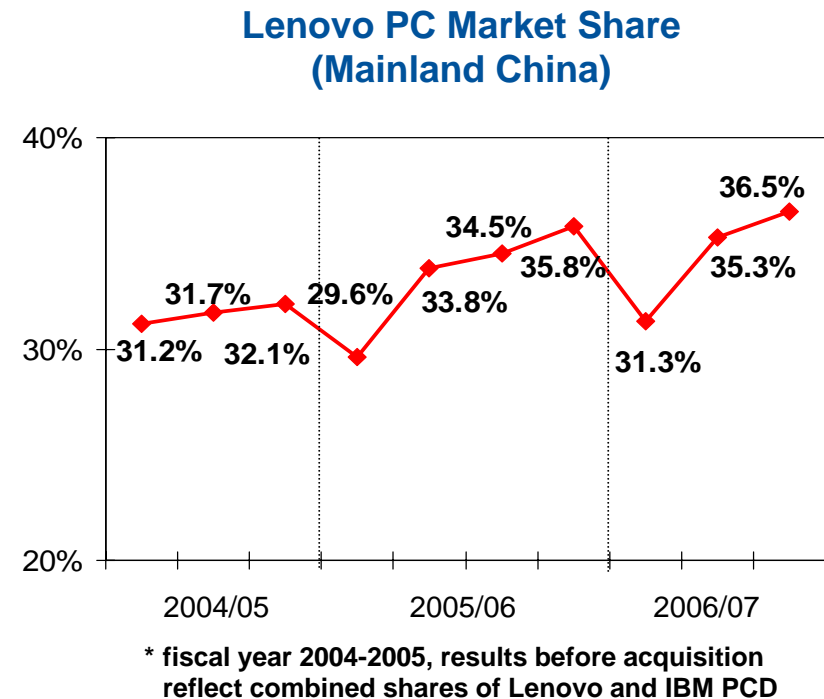
* Others includes servers, printers, digital products, etc.

Geography Summary (Excluding restructuring charge)

	Turnover US\$ mn			Segment Operating Profit US\$ mn			Segment Operating Profit Margin		
	2Q 07	2Q 06	1Q 07	2Q 07	2Q 06	1Q 07	2Q 07	2Q 06	1Q 07
GC	1,444	1,307	1,339	83	73	91	5.7%	5.6%	6.8%
Americas	1,066	1,162	1,014	(18)	28	(24)	(1.7%)	2.4%	(2.4%)
EMEA	751	745	662	(8)	(9)	(4)	(1.1%)	(1.2%)	(0.6%)
AP (ex GC)	439	439	461	2	13	(3)	0.5%	3.0%	(0.7%)
Total	3,700	3,653	3,476	59	105	60	1.6%	2.9%	1.7%

Strong Growth in Greater China

- Strong 2Q performance
 - Operating profit margin 5.6%
 - Mainland China
 - PC shipments up 25% YTY
 - Estimated PC market share 36.5%
 - Share gain of 2.0%Pts YTY
- Strategy in 2006/07
 - Dual brand operation
 - Dual model refinement
 - 4 focus areas:
 - Notebook
 - Tier 5&6 market expansion
 - Large Account
 - SMB



Source: Market share is based on industry and company estimates

Americas, EMEA, and AP (ex. GC)

- Americas
 - Share loss in U.S.
 - Fuel growth via transaction model
- EMEA
 - Increased revenue and market share
 - Transaction model drove growth
 - Strong performance in France and Germany
- Asia Pacific (ex. GC)
 - Improvement in gross profit margin
 - Solid performance in India
 - Japan business relatively weak

Desktop 2Q 2006/07

- Lenovo's WW desktop unit shipments up 4% Y/Y
- WW Market flat YTY – gaining share
- Growth in emerging markets
- Revenue US\$1.57 billion, 42% of total Lenovo revenue
- Improved margin performance
- Key Improvements
 - Re-designed to reduce cost
 - Converged product/part/family
 - Product portfolio simplification
 - Strength in emerging markets
- Encouraging improvements – still plenty to do



3000 – J Series

Notebook 2Q 2006/07

- Lenovo's WW notebook Unit shipments up 20% Y/Y
- Market growth in consumer segment
- Third party review – NB/TBR award
- Revenue US\$1.91 billion, 52% of total Lenovo revenue
- Maintain reasonable position under intense price competition
- Not competing in high growth segment – Lenovo 3000 gaining traction
- Key success factors:
 - Product quality & innovation
 - Cost reductions
 - Strength in emerging markets
 - Transactional business model

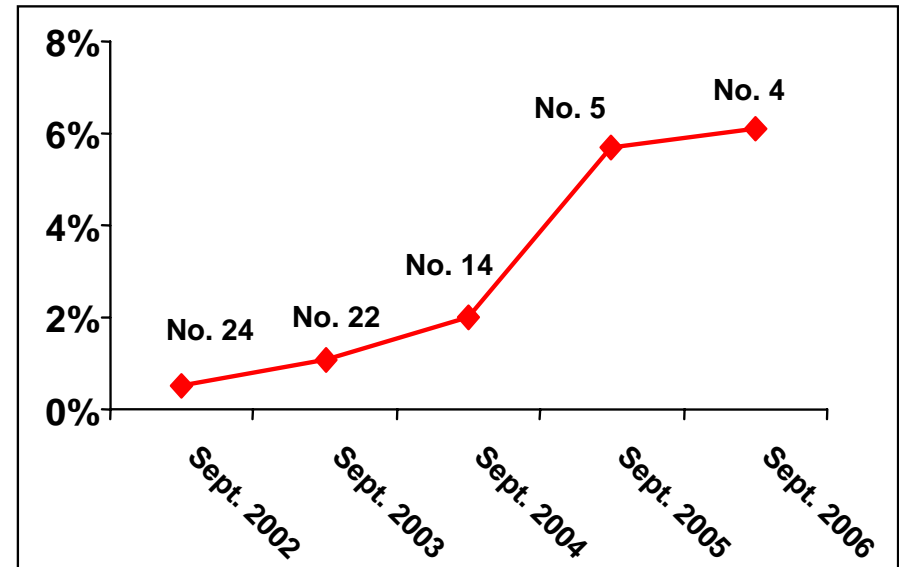


3000 – V Series

Mobile Handset 2Q 2006/07

- Unit shipments up 39% Y/Y
- Revenue US\$166 million, up 14% Y/Y
- Maintained #4 market position
- Moved into new production facilities
- Key success factors:
 - Full scope of product offerings
 - Strong sales promotion
 - Successful sales channels expansion

Market Share & Rank (2002 - 06)



I807



V339



P728

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

Summary

- 2006/07 Financial Drivers
 - China: Continued leveraging of Lenovo business model
 - Americas/EMEA/AP: Expansion of Lenovo business model
 - Restructuring initiatives on plan
 - Investment in Lenovo brand
 - Expand market coverage of transaction model
 - Gradual growth of Lenovo 3000 product family
- 2006/07 Objectives
 - Maintain market share
 - Sustain profitability
 - Improve efficiency

William Amelio

President & Chief Executive Officer

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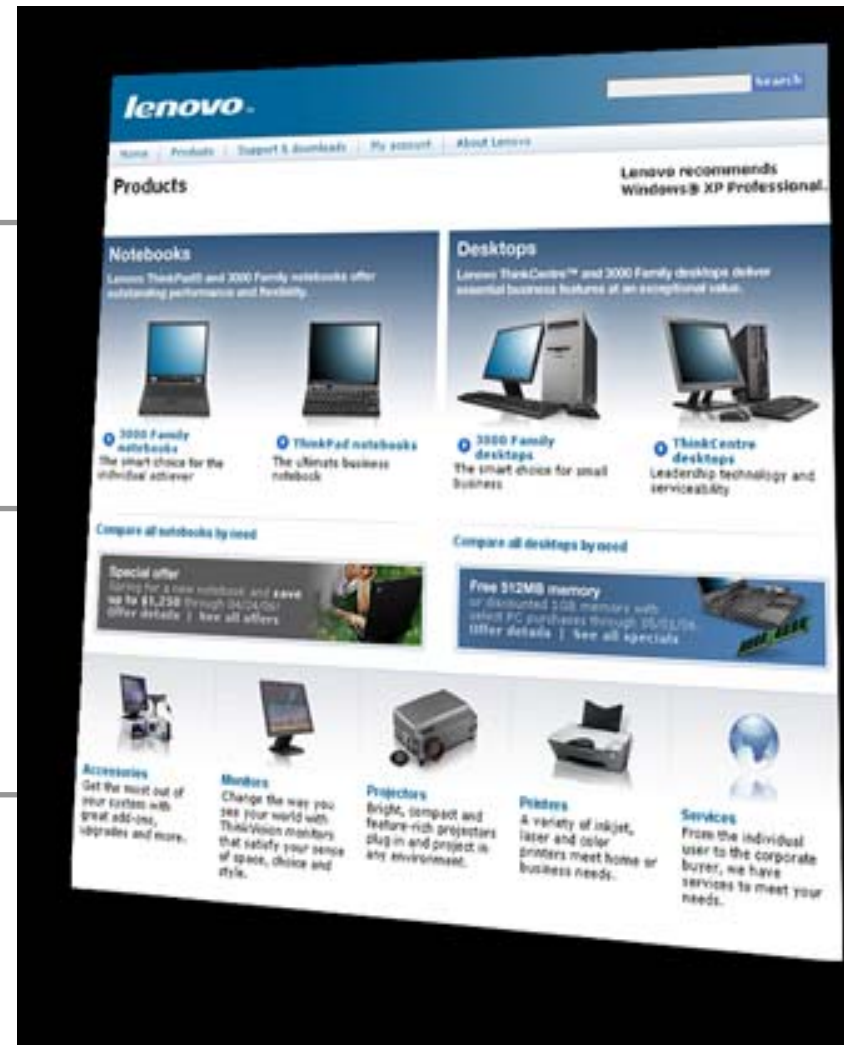
Driving Global Operational Excellence

Transaction Model Rollout

Supply Chain

Desktop Competitiveness

Brands



Driving Global Operational Excellence

Transaction Model Rollout

- Profitable revenue growth
 - Share gains in pilot countries
- Hong Kong and India
 - Strong shipment growth
 - HK: +15%, India +19%
 - Solid margin performance
- Germany: initial EMEA rollout market
 - +27% volume growth
 - +40% transaction model growth
- Americas
 - Rollout underway this quarter



Driving Global Operational Excellence

Supply Chain

- Short-term improvements
 - Process and portfolio simplification
 - Continued focus on serviceability
 - Organization aligned
- IT Investment
- Center of Excellence Organization
 - Daily execution command center
 - Supply / Demand planning focus



Driving Global Operational Excellence

Desktop Competitiveness

- Cost improving
 - Design, re-engineering
 - Component cost-competitiveness
- Market growth in emerging markets
 - Strong growth in China +19%
 - Gaining share



Driving Global Operational Excellence

Notebook Competitiveness

- Share gain in China/Asia Pacific
 - Strong growth in India +62%
 - Recovery in Japan
- Share loss in Americas/EMEA
 - Market growth in consumer space
 - Execute Transactional model rollout
- Margin compression
 - Competing in lower price cells
 - Competitive pressure in the U.S.



Driving Global Operational Excellence

Branding

- Executing phased branding plan
 - Phase I: Establish trust and continuity
 - Phase II: Strengthen ThinkPad and introduce Lenovo
 - Phase III: Accelerate Lenovo Brand
- Solidifying Company positioning



Sponsorships - NBA

- Global Partnership – Lenovo “Official PC of the NBA”
- Activation in U.S. and China with programming into 215 countries
 - Advertising and direct marketing
 - High product visibility
 - Lenovo Stat – “The Power of Teamwork”
 - Internal motivator



Driving Global Operational Excellence

Lenovo Services

- Expanding Lenovo Service Capabilities
 - Lenovo Services Business Unit
 - New SVP announced
 - Geography sales and delivery leadership
 - Expanding partnership with IBM
- Creating the Vision
 - Energetic, enthused, excited employees
 - Another reason to buy
 - Rock-solid, worry-free PC experience
 - Customer value
 - Customer Delight, Cost-scaling
 - Revenue growth



Yang Yuanqing

Chairman of the Board

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Appendix

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

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Consolidated Income Statement

US\$ Million	2006/07 Q2	2006/07 YTD	2005/06 Q2	2005/06 YTD*
Turnover	3,700	7,176	3,653	6,168
Cost of sales	(3,220)	(6,199)	(3,142)	(5,271)
Gross profit	480	977	511	897
Other income/(expense) – net	16	26	6	8
Selling and distribution expenses	(267)	(564)	(274)	(465)
Administrative expenses	(113)	(228)	(113)	(188)
Research and development expenses	(56)	(107)	(51)	(84)
Other operating expenses	(9)	(30)	(2)	(18)
Operating profit	51	74	77	150
Finance costs	(8)	(18)	(12)	(19)
Share of profits/(losses) of associated companies	0.3	2	0.4	(0.2)
Profit before taxation	43	58	65	131
Taxation	(5)	(15)	(17)	(37)
Profit for the period	38	43	48	94
Profit attributable to:				
Shareholders of the Company	38	43	48	94
Minority interests	-	-	(3)	(3)
	38	43	45	91
Dividend		27		27
Earnings per share				
- Basic	0.44 US cents	0.50 US cents	0.51 US cents	1.03 US cents
- Diluted	0.43 US cents	0.49 US cents	0.50 US cents	1.03 US cents

* Included only five months of contribution from acquired IBM's personal computer business

Condensed Balance Sheet

US\$ Million	As at Sep 30, 2006	As at Mar 31, 2006
Non-current assets	2,323	2,305
Current assets	3,237	2,736
Total assets	5,560	5,041
Shareholders' funds	964	1,044
Minority interests	1	1
Total equity	965	1,045
Non-current liabilities	865	814
Current liabilities	3,730	3,182
Total liabilities	4,595	3,996
Total equity and liabilities	5,560	5,041
Net current liabilities	(493)	(446)
Total assets less current liabilities	1,830	1,859

Condensed Consolidated Cash Flow Statement

US\$ Million	2006/07 Q2	2005/06 Q2
Net cash generated from operating activities	357	567
Net cash used in investing activities	(22)	(138)
Net cash (used in)/generated from financing activities	(72)	(184)
(Decrease)/Increase in cash and cash equivalents	263	245
Effect of foreign exchange rate changes	(14)	(3)
Cash and cash equivalents at the beginning of the period	852	1,254
Cash and cash equivalents at the end of the period	1,101	1,496