

Lenovo Group Limited

2006/07 Annual Results

May 23, 2007

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Mary Ma

Senior Vice President & Chief Financial Officer

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Lenovo Financial Summary

	Q4 2006/07				Q4 2005/06		2006/07 Full Year*		
	US\$ mn	%	Y/Y	Q/Q	US\$ mn	%	US\$ mn	%	Y/Y
Turnover	3,416		9.3%	-14.5%	3,125		14,590		9.9%
Gross Profit	518	15.2%	+1.2 pts	+1.7 pts	437	14.0%	2,037	14.0%	-
Operating Expenses	(460)	13.5%	-1.1 pts	+1.7 pts	(456)	14.6%	(1,838)	12.6%	-
Other (Exp)/Income**	(4)	0.1%			(21)	0.7%	1	0.0%	
Pre-tax Income/(Loss) before restructuring cost	54	1.4%	N/A	-18.2%	(40)	(1.3%)	200	1.4%	29.0%
Net Restructuring Cost Reversed /(Cost)	12				(70)		(12)		
Pre-tax Income/(Loss)	66	1.9%	N/A	3.1%	(110)	(3.5%)	188	1.3%	122.0%
Profit/(Loss) Attributable to Shareholders	60	1.8%	N/A	3.4%	(116)	(3.7%)	161	1.1%	625.5%
EPS (US cents)									
- Basic	0.70		N/A	4.5%	(1.30)		1.87		640.4%
- Diluted	0.68		N/A	5.8%	(1.29)		1.84		645.0%
Dividend per share (HK cents)	2.8		Proposed Final		2.8	Final	5.2		Proposed Total

* Included only 11 months of contribution from acquired IBM's personal computer business in FY2005/06 for comparison

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

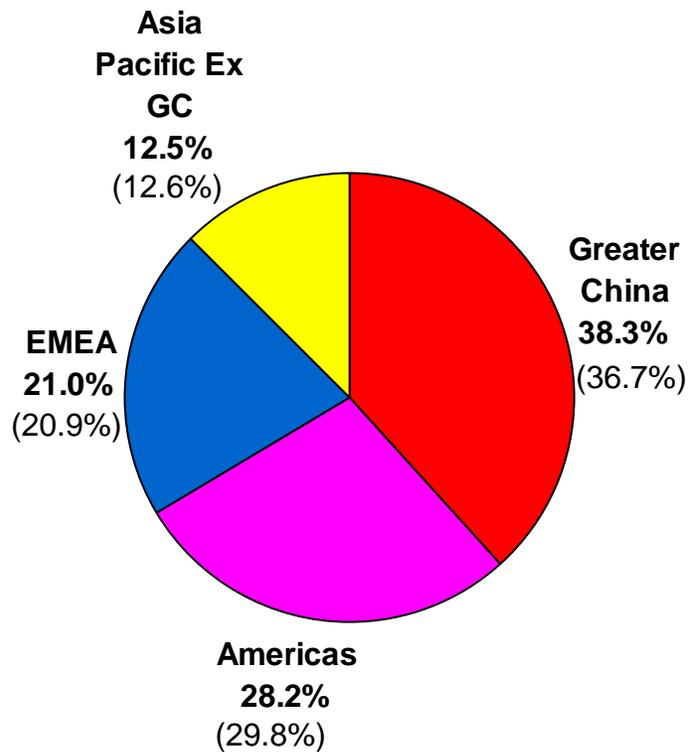
Cash and Working Capital

US\$mn	<u>Q4 2006/07</u>	<u>Q4 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2005/06</u>
EBITDA*	117	32	414	382
Cash Reserves	1,064	1,005	1,064	1,005
Total Bank Borrowings	118	228	118	228
Net Cash Reserves	946	777	946	777
Days Inventory	13	14	11	10
Days Receivable	25	23	23	21
Days Payable	72	73	61	59
Cash Conversion Cycle	-34 days	-36 days	-27 days	-28 days

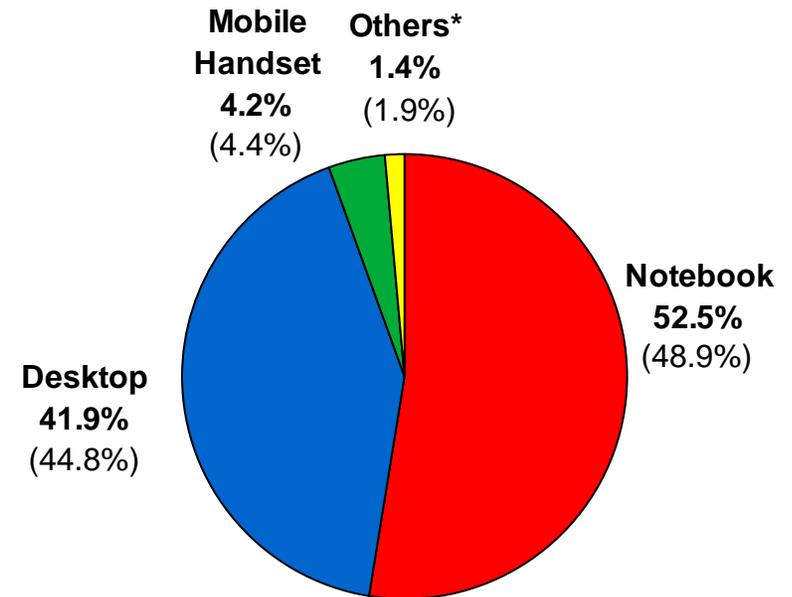
* Excluding restructuring charges

Revenue Breakdown (FY 2006/07)

Balanced Geographic Mix



Strong Notebook Mix



2005/06 full year figures are in bracket

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

Q4 Geography Summary (Excluding restructuring charge)

- Gained share across all geographies
- All geographies posted YTY revenue growth and positive segment profit
- Significant improvement on group's overall segment profit margin in Q4

	Turnover US\$ mn			Segment Operating Profit US\$ mn			Segment Operating Profit Margin		
	Q4 07	YTY	Q3 07	Q4 07	Q4 06	Q3 07	Q4 07	Q4 06	Q307
Greater China	1,215	12.7%	1,583	72	52	81	5.9%	4.8%	5.1%
Americas	997	5.6%	1,042	16	(32)	(3)	1.6%	-3.4%	-0.3%
EMEA	731	10.8%	913	18	(11)	15	2.5%	-1.7%	1.6%
AP (ex GC)	473	6.8%	460	2	8	5	0.4%	1.8%	1.0%
Total	3,416	9.3%	3,998	108	17	98	3.2%	0.5%	2.4%

FY2006/07 Geography Summary (Excluding restructuring charge)

- Strong improvement on Greater China and EMEA profitability
- Americas returned to profit in Q4

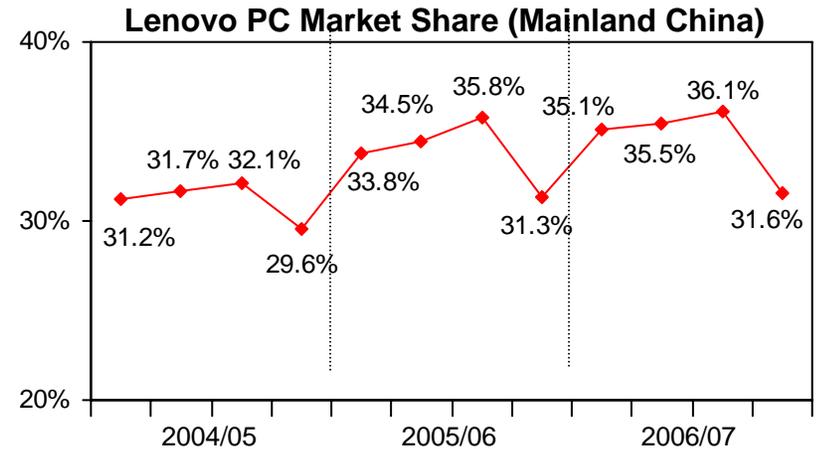
	Turnover US\$ mn			Segment Operating Profit US\$ mn		Segment Operating Profit Margin	
	FY2006/07	FY2005/06*	YTY	FY2006/07	FY2005/06*	FY2006/07	FY2005/06*
Greater China	5,581	4,871	14.6%	330	279	5.9%	5.7%
Americas	4,119	3,962	4.0%	(29)	52	-0.7%	1.3%
EMEA	3,057	2,771	10.3%	21	(13)	0.7%	-0.5%
AP (ex GC)	1,833	1,672	9.6%	5	(1)	0.3%	-0.1%
Total	14,590	13,276	9.9%	327	317	2.2%	2.4%

* Included only 11 months of contribution from acquired IBM's personal computer business in FY2005/06

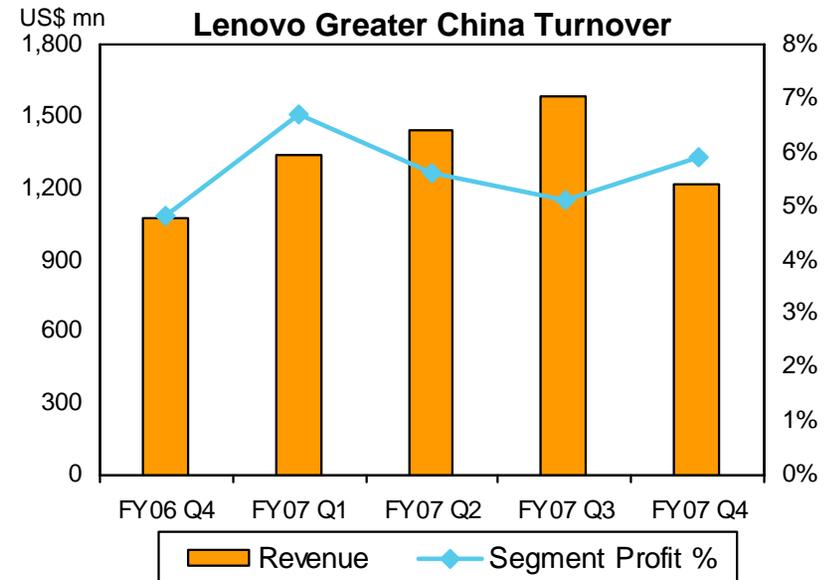
Greater China Strengthened Market Leadership

- Strong Q4 performance
 - Operating profit margin 5.9%
 - Mainland China
 - PC shipments up 24%
 - Estimated PC market share 31.6%
 - Share gain of 0.3 pts YTY

- 2006/07 Key Focus
 - Transaction model: growth in consumer/SMB
 - Supply chain: best of breed
 - Desktop: strong growth with good margin
 - Brand: closer tie with Olympics



* FY2004/05 market share information reflects combined shares of Lenovo and IBM PCD



Source: Market share is based on industry and company estimates

Americas, EMEA and AP (ex. GC)

- Americas
 - Q4 PC shipments up 9% YTY
 - Gained shares in the U.S.
 - Sales coverage transition from IBM completed smoothly
 - Recruited approx. 2,600 active partners for transaction model
 - Returned to profit since Q3 2005/06
- EMEA
 - Q4 PC shipments up 14% YTY
 - Gain share, driven by desktop
 - Solid margin, operating profit margin improved to 2.5%
 - Transaction model continued to drive strong growth in Germany
- Asia Pacific (ex. GC)
 - Q4 PC shipments up 18% YTY
 - Consumer PC launch in ASEAN gained traction
 - Strong shipment growth in India



Lenovo 3000 N100

Notebook and Desktop Q4 2006/07

Notebook

Revenue

- US\$1.9 billion, up 17% YTY
- 55% of total

Unit Growth YTY

- 29%
- In line with market

Comments

- Strengths in Asia and China
- Solid margin
- Top rankings in TBR's report of notebook brand awareness and customer satisfaction

Desktop

- US\$1.4 billion, up 4% YTY
- 41% of total

- 11%
- Grew faster than market

- Driven by Greater China and EMEA
- Positive PTI
- Good trends but more to do



ThinkPad X60



Lenovo Tianjiao Consumer PC

Mobile Handset Q4 2006/07

- Unit shipments up 12% YTY
- Revenue US\$126 million, down 21% YTY
- Maintained #4 position with 6.5% market share



v350

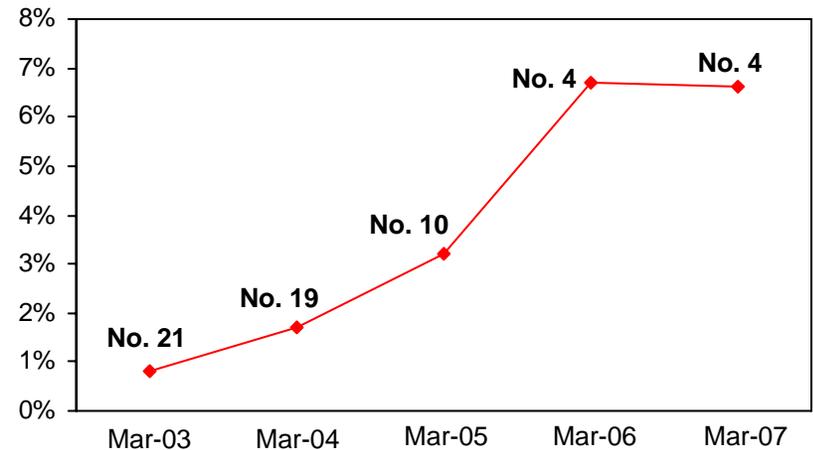


i807



i360

Lenovo Market Handset Market Share & Rank in China



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

Summary

- 2006/07 Full Year
 - Maintain market share
 - WW PC shipments up 12%, gaining share
 - Ranked #3 with 7.4% for 2006/07 fiscal year
 - Sustain profitability
 - Gross margin sustained at 14.0%
 - PTI* surged 29%
 - Improve efficiency
 - Improving global supply chain
 - Additional efforts to improve efficiency

* Excluding restructuring charges

William Amelio

President & Chief Executive Officer

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Global Operational Excellence Strategic Initiatives

Transaction Model Roll-out

Supply Chain

Desktop Competitiveness

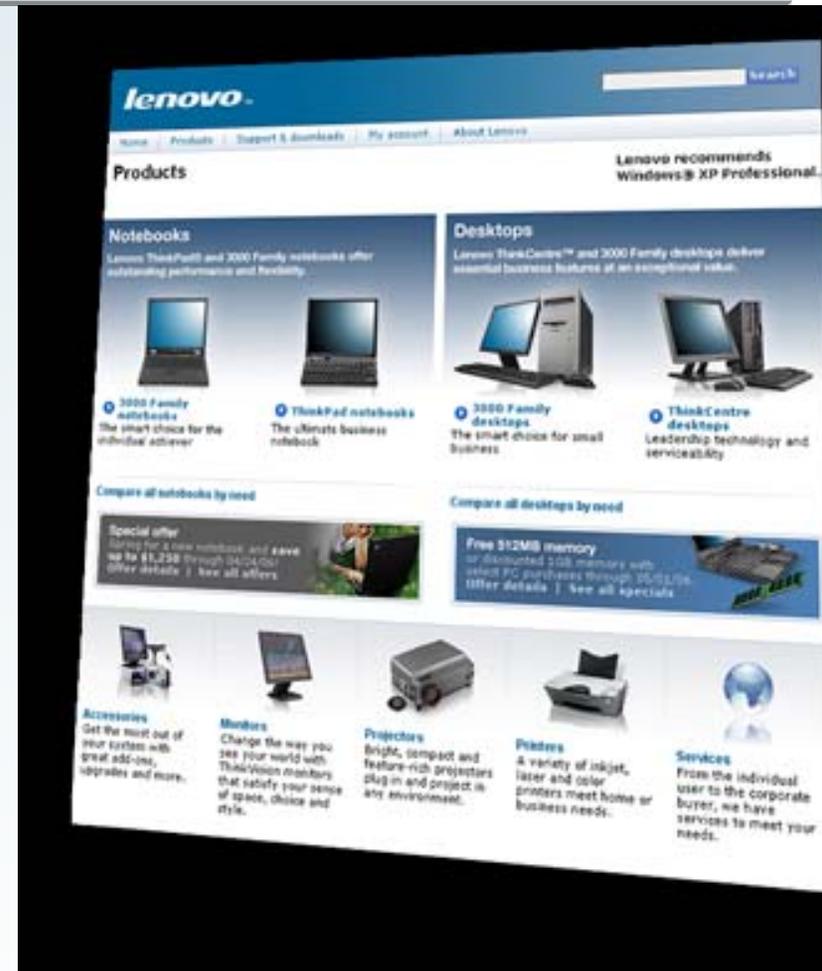
Brands



Global Operational Excellence Strategic Initiatives

1. Transaction Model Roll-out

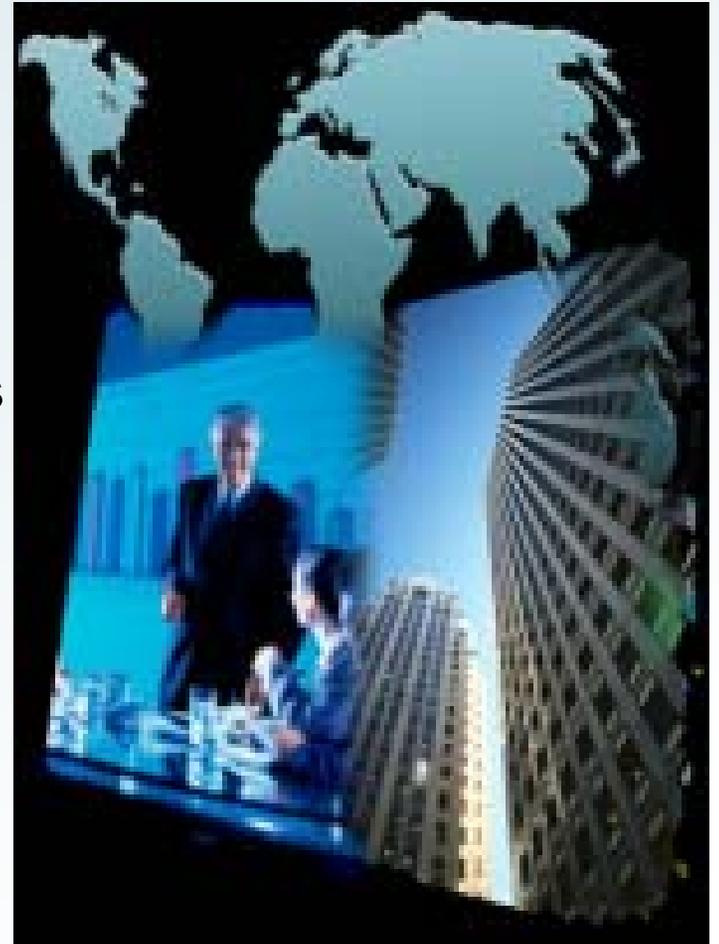
- Strong performance in Q4
 - Volume +19% YTY
 - Revenue +13% YTY
- Solid progress from pilot countries
 - Volume and profitability growth
 - Germany +50%
 - France +17%
 - UK +36%
 - Italy +18%
- FY 2007/08 roll-out plans
 - US, Japan, Eastern Europe, Latin America, MEA



Global Operational Excellence Strategic Initiatives

Relationship Model Update

- Improvement in revenue, profitability
 - 4 of 4 geographies profitable
- Identifying & capturing new opportunities
 - New go-to-market model
 - New SAP CRM
 - Investment in processes/resources
- Sales force transition complete
 - Improved pipeline
 - Reduced costs
 - Favorable customer response



Global Operational Excellence Strategic Initiatives

Relationship Model Update: Worldwide Customers



Lenovo/IBM Partnership

- Partnership is successful and growing
 - Lenovo is IBM preferred Global PC Partner
 - Customer and Business Partner Financing Partnership
 - New Global Technology Services Alliance
- IBM is Lenovo's largest customer relationship
 - Internal sales to IBM workforce
 - Sales supporting customer service contracts
- Lenovo/IBM services partnership continues to grow
 - Strategic IT services contract
 - Global HR services contract
 - Core customer service/field support agreement



Global Operational Excellence Strategic Initiatives

2. Supply Chain Upgrade

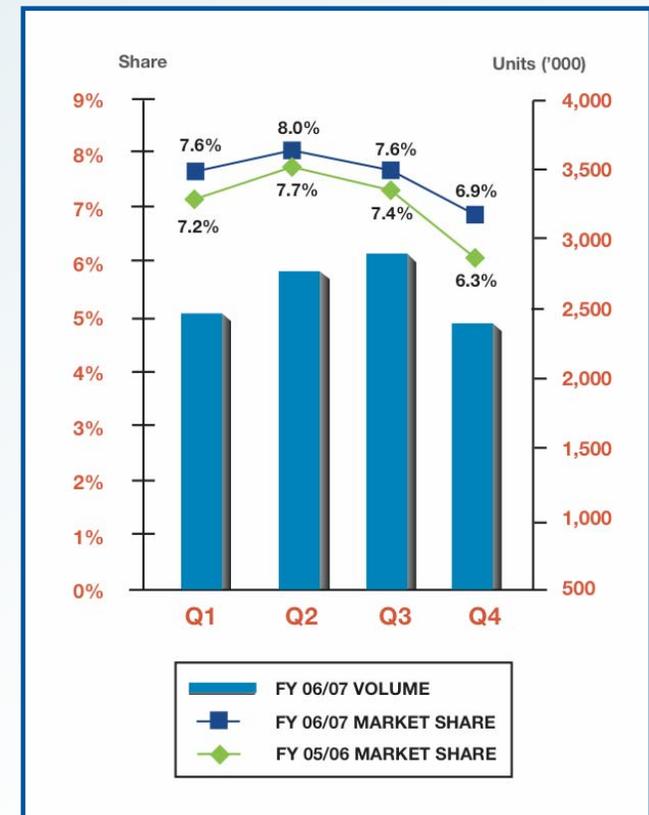
- Overall cost and efficiency improvements
 - Manufacturing efficiencies
 - Lean re-engineering
 - Complexity reduction
 - Improved logistics
 - Enhanced supplier relationships
- International serviceability greatly enhanced
 - FY: up 44%
 - 4Q: up 24%



Global Operational Excellence Strategic Initiatives

3. Desktop Competitiveness

- YTY W/W share gain for 7 consecutive quarters
- Q4 desktop shipments up >10% YTY
- Q4 share gain driven by
 - Emerging markets, and
 - Developed markets: US & W. Europe
- Return to profit, positive PTI FY 06/07



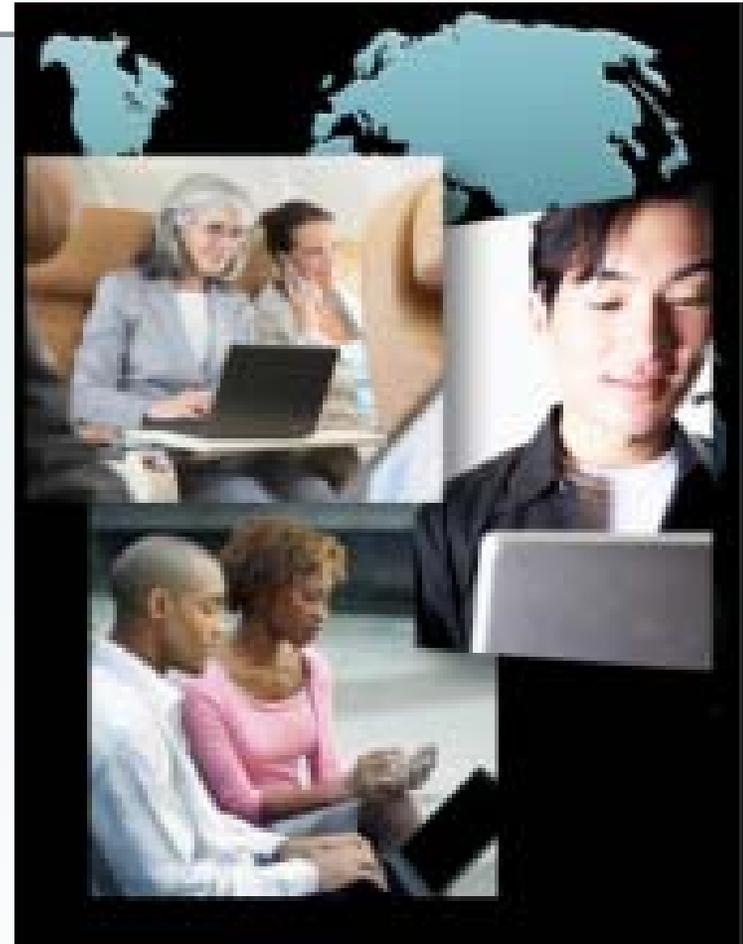
Lenovo Services, Software & Peripherals Business Units

Lenovo Services

- Revenue, PTI growth
- Contract signings up 71%
- ThinkPad notebooks tied for #1 by TBR

Software & Peripherals

- Revenue up 28%
 - Every geography showing YOY growth
 - Higher overall attach rate
- Next steps
 - Optimize portfolio of offerings
 - Expand routes to market
 - Leverage alliance partnerships



Global Operational Excellence Strategic Initiatives

4. Brand Building

- AT&T Williams Formula One Sponsorship
 - Largest annual sporting event in the world
 - Races in 17 countries on 5 continents
 - Over 200 million viewers per race
- Lenovo design chosen for Olympic Torch
- Improving metrics/brand awareness
- Coming attractions
 - High-end “Reserve Edition” ThinkPad
 - “Best-Engineered” campaign



Global Operational Excellence Strategic Initiatives

Brand Building: The Best-Engineered PCs



Global Operational Excellence Strategic Initiatives

Brand Building: Compelling, Innovative Products

- “Best Engineering” at work
 - Top Cover Roll Cage
 - Rock solid reliability & durability
 - Ultra Connect II
 - Improved wireless connectivity
 - Quieter “Owl’s Wing” Cooling System
 - Lowers temp up to 10%
 - Lowers noise level by 3 decibels
 - Battery Stretch
 - Longer battery life → up to 15% longer
- Setting standard for innovation & reliability



Looking Forward: 2007/08 Objectives

- Drive top-line growth
 - Strategic initiatives
 - China
 - Other emerging markets
 - Transaction model
 - SMB/VSB/consumer segments
 - Expand product portfolio
- Improve global operational efficiency



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Yang Yuanqing

Chairman of the Board

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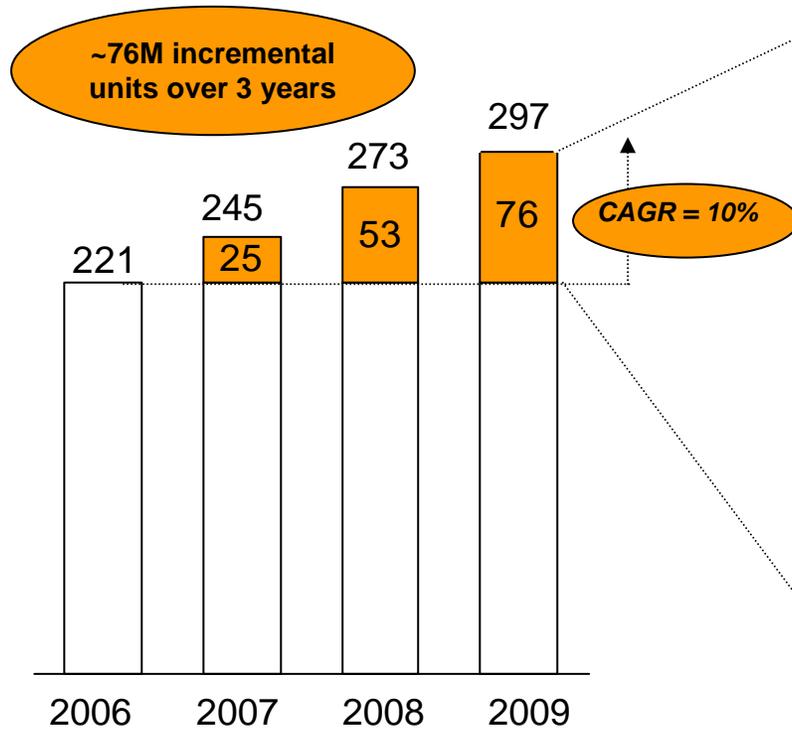
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Steady FY2006/07 Performance, Strong Strategic Execution, Good Results

- Maintain and fully leverage the current business in China and global large enterprise
- Gain share in transaction and emerging market
- Build an excellent culture and team

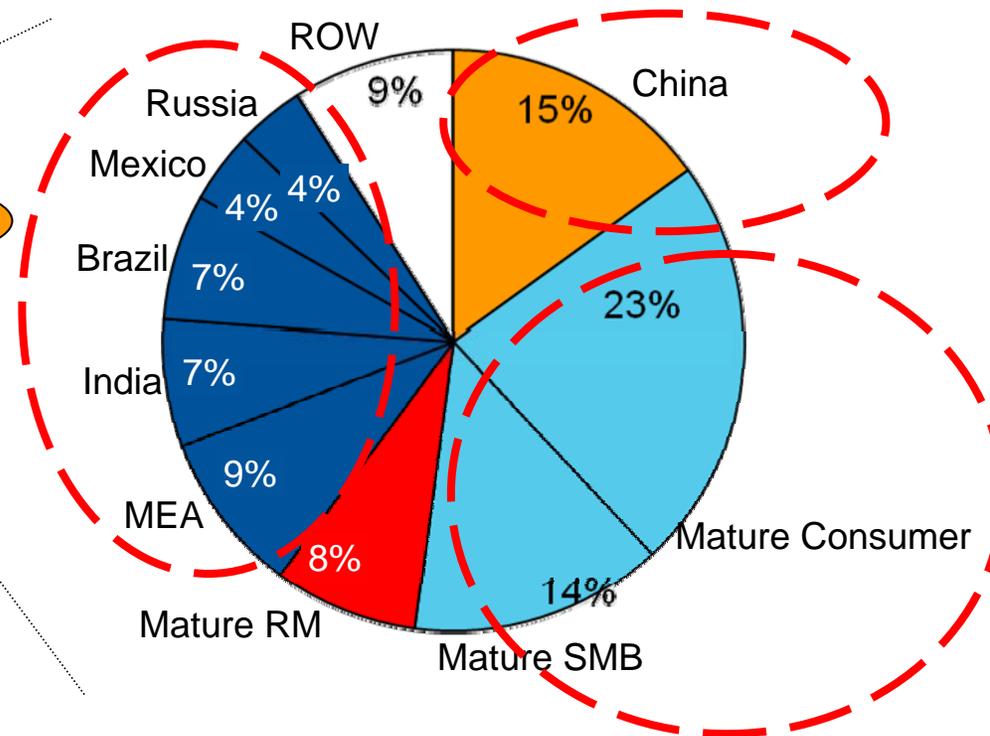
PC Growth Engines: China, SMB/Consumer in Mature Markets, and Emerging Markets

Expected Industry Growth (Million Units)



Source of Growth

100% = 76M Units



Source: Company and industry estimates

Business Growth Strategy

China

- Drive Olympic related opportunities
- Achieving breakthrough in notebook market
- Thoroughly develop small cities and towns
- Enhancing competitiveness of non-PC business

Mature Markets

- Maintain relationship business
- Develop forcefully transaction business

Emerging Markets

- Quickly roll-out China consumer products and product operation model
- Replicate the end-to-end integrated business model

Consumer Business

- Back-end of China + Front-end of large retail chain

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Appendix

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

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Consolidated Income Statement

US\$ Million	2006/07 Q4	2006/07 Full Year	2005/06 Q4	2005/06 Full Year*
Turnover	3,416	14,590	3,125	13,276
Cost of sales	(2,898)	(12,553)	(2,688)	(11,417)
Gross profit	518	2,037	437	1,859
Other income/(expense) - net	(2)	8	(8)	(8)
Selling and distribution expenses	(263)	(1,114)	(271)	(1,028)
Administrative expenses	(141)	(499)	(130)	(434)
Research and development expenses	(58)	(227)	(55)	(195)
Other operating income/(expense) - net	14	(10)	(70)	(82)
Operating profit	68	195	(97)	112
Finance income	7	26	8	24
Finance costs	(9)	(35)	(21)	(52)
Share of profits of jointly controlled entities	-	-	-	-
Share of profits of associated companies	0.10	2	(0.02)	0.50
Profit before taxation	66	188	(110)	84
Taxation	(6)	(27)	(6)	(57)
Profit for the year	60	161	(116)	27
Profit attributable to:				
Shareholders of the Company	60	161	(116)	22
Minority interests	-	-	-	5
	60	161	(116)	27
Dividend	-	59	32	59
Earnings per share				
- Basic	0.70 US cents	1.87 US cents	(1.30) US cents	0.25 US cents
- Diluted	0.68 US cents	1.84 US cents	(1.29) US cents	0.25 US cents

* Included only 11 months of contribution from acquired IBM's personal computer business in FY2005/06

Condensed Balance Sheet

US\$ Million	As at Mar 31, 2007	As at Mar 31, 2006
Non-current assets	2,388	2,305
Current assets	3,061	2,736
Total assets	5,449	5,041
Shareholders' funds	1,133	1,044
Minority interests	1	1
Total equity	1,134	1,045
Non-current liabilities	789	814
Current liabilities	3,526	3,182
Total liabilities	4,315	3,996
Total equity and liabilities	5,449	5,041
Net current liabilities	465	446
Total assets less current liabilities	1,923	1,859

Condensed Consolidated Cash Flow Statement

US\$ Million	2006/07 Full Year	2005/06 Full Year
Net cash generated from operating activities	538	1,076
Net cash used in investing activities	-205	-772
Net cash (used in)/generated from financing activities	-290	305
Increase in cash and cash equivalents	43	609
Effect of foreign exchange rate changes	16	9
Cash and cash equivalents at the beginning of the year	1,005	387
Cash and cash equivalents at the end of the year	1,064	1,005