

Lenovo Group Limited

2007/08 Q3 Results

January 31, 2008

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Wong Wai Ming

Senior Vice President & Chief Financial Officer

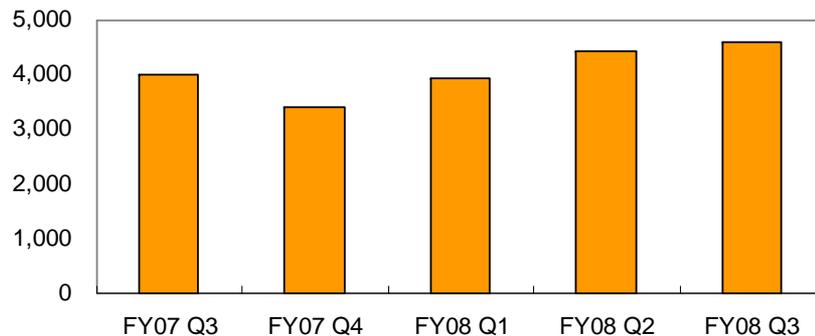
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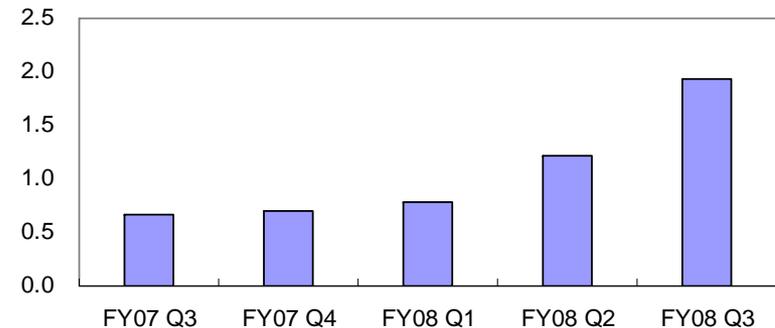
Lenovo Q3 FY07/08 Results Highlights

- PC unit shipment, up 22% YTY
- WW Market share 7.5%, up 0.4 pts YTY
- Sales US\$4,602 million, up 15% YTY
- Pretax income US\$190 million, up 198% YTY
- Basic EPS 1.93 US cents, up 188% YTY

Sales (US\$mn)



Basic EPS (US cents)



Financial Summary

	Q3 2007/08				YTD 2007/08	
	US\$m	%	Y/Y	Q/Q	US\$m	%
Sales	4,602		+ 15.1%	+ 3.8%	12,960	
Gross Profit	702	15.2%	+ 1.7 pts	+ 0.1 pts	1,954	15.1%
Operating Expenses	(521)	11.3%	- 0.5 pts	- 1.1 pts	(1,531)	11.8%
Other income, net	9				11	
Operating profit before restructuring	190	4.1%	+ 184.0%	+ 58.0%	434	3.3%
Other non-operating income*	2				5	
Restructuring cost	(2)				(48)	
Pre-tax Income	190	4.1%	+ 197.8%	+ 54.5%	391	3.0%
Profit Attributable to Shareholders	172	3.7%	+ 197.5%	+ 63.2%	344	2.7%
EPS (US cents)						
- Basic	1.93		+ 188.1%	+ 58.2%	3.95	
- Diluted	1.76		+ 175.0%	+ 57.1%	3.63	

* Finance income, finance cost and share of profits of associated companies

Condensed Balance Sheet

US\$ mn	As at Dec 31, 2007	As at Mar 31, 2007
Non-current assets	2,516	2,388
Property, plant and equipment	361	326
Intangible assets	1,871	1,868
Others	284	194
Current assets	4,639	3,061
Cash and cash equivalents	2,158	1,064
Account receivables and others	1,984	1,617
Inventory	483	358
Tax recoverable	14	22
Current liabilities	4,795	3,526
Short-term bank loans	62	18
Account payables and others	4,720	3,499
Current portion of non-current liabilities	13	9
Net current liabilities	156	465
Non-current liabilities	734	789
Total equity	1,626	1,134

Cash and Working Capital

US\$m	<u>Q3 2007/08</u>	<u>Q3 2006/07</u>	<u>Q2 2007/08</u>
EBITDA*	244	128	210
Cash Reserves	2,158	1,431	1,882
Total Bank Borrowings	<u>162</u>	<u>114</u>	<u>181</u>
Net Cash Reserves	1,996	1,317	1,701
Days Inventory	10	10	9
Days Receivable	24	24	24
Days Payable	62	62	62
Cash Conversion Cycle	-28 days	-28 days	-29 days

* Excluding restructuring charges

Geography Summary (Excluding restructuring charge)

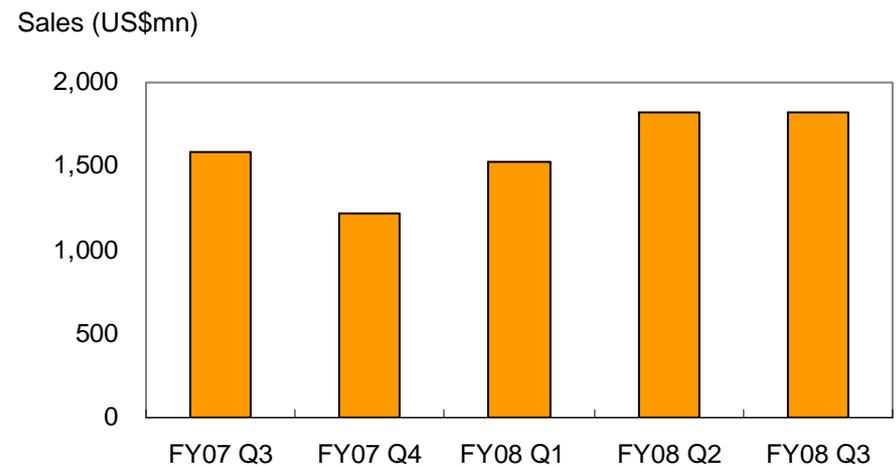
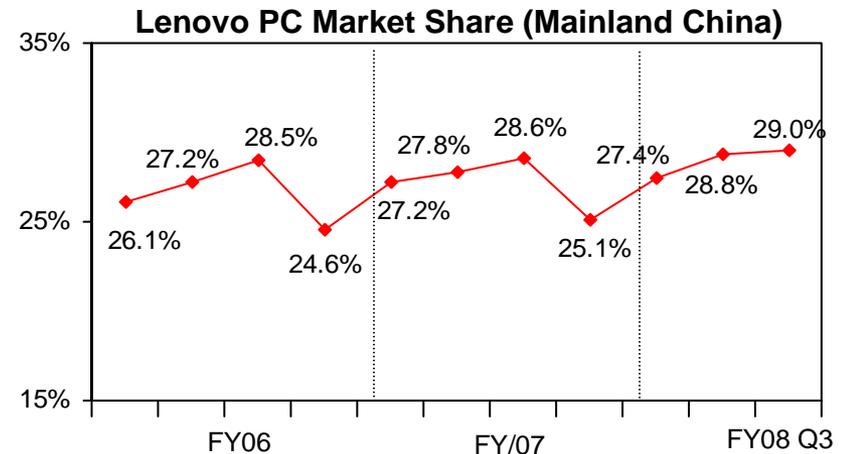
- All geographies posted double-digit YTY sales growth
- QTQ and YTY improvement on group's overall segment profit margin

	Sales US\$mn			Segment Operating Profit US\$mn			Segment Operating Profit Margin		
	Q3 08	Y/Y	Q/Q	Q3 08	Q3 07	Q2 08	Q3 08	Q3 07	Q2 08
Greater China	1,828	15.5%	0.1%	114	81	102	6.2%	5.1%	5.6%
Americas	1,151	10.4%	-2.6%	31	(3)	21	2.6%	-0.3%	1.8%
EMEA	1,088	19.1%	22.8%	61	15	44	5.5%	1.6%	5.0%
AP (ex GC)	535	16.3%	-0.8%	(2)	5	8	-0.4%	1.0%	1.5%
Total	4,602	15.1%	3.8%	204	98	175	4.4%	2.4%	4.0%

Continues Strong Performance in Greater China

- Strong Growth in Q3
 - Improved segment profit margin at 6.2%
 - Up 1.1 pt YTY
 - Mainland China
 - PC shipments up 25%
 - Estimated market share up 0.3 pt YTY to 29.0%

- 2007/08 Key Focus
 - Market traction of dual business model
 - End-to-end efficiency in supply chain
 - Notebook shipment growth 65% YTY
 - Fast growth in non-PC business



Source: Market share is based on industry and company estimates after IDC's resizing of China PC market in Nov 2007.

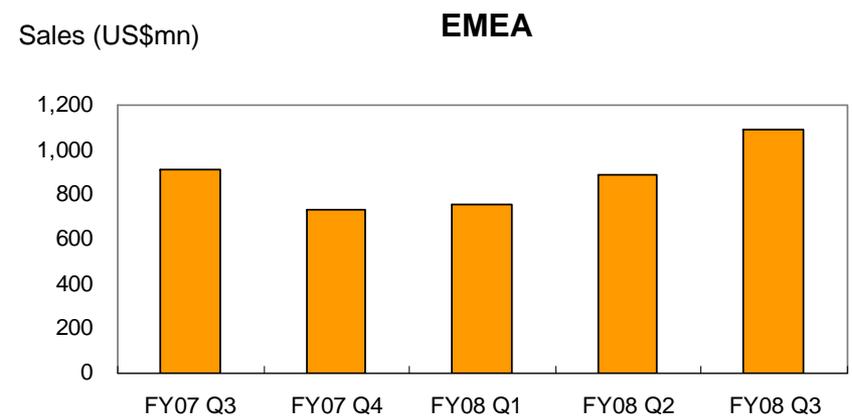
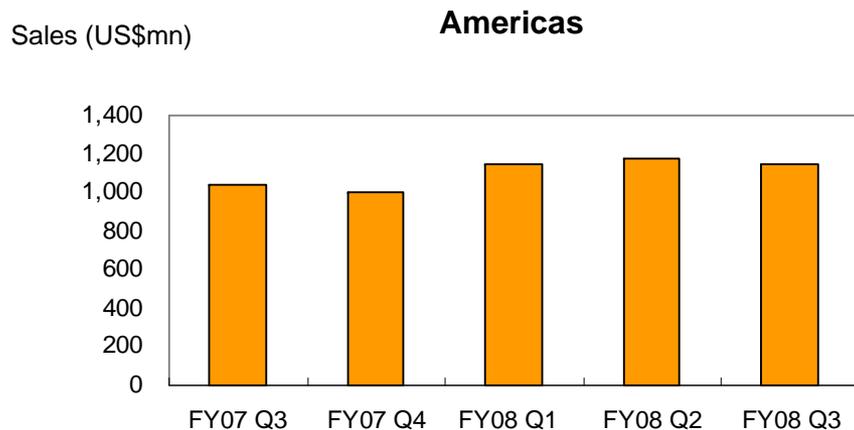
Americas & EMEA

- Americas

- Q3 PC shipments up 15% YTY
- Historical record high shipments
- Gained shares in the U.S. for four consecutive quarters
- Expanded roll-out of transaction model and strengths in desktop shipments

- EMEA

- Q3 PC shipments up 24% YTY
- Historical record high shipments
- Benefited from the robust PC market and strengthened currency
- Double-digit sales growth for four consecutive quarters

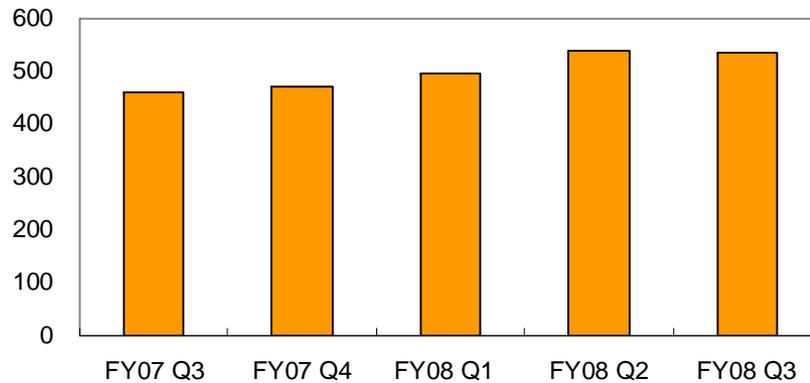


Asia Pacific (ex. Greater China)

- Asia Pacific (ex. Greater China)
 - Q3 PC shipments up 20% YTY
 - Transaction model roll-out gains traction
 - Shipments growth driven by India and ASEAN

Sales (US\$mn)

Asia Pacific (ex. GC)



Notebook and Desktop Q3 2007/08

Notebook

Sales

- US\$2.6 billion, up 24% YTY
- 56% of total

Unit Growth YTY

- 38%
- Gained share worldwide

Comments

- Share gain in EMEA and Asia
- Solid margin

Desktop

- US\$1.8 billion, up 8% YTY
- 40% of total

- 12%
- Gained share worldwide

- Driven by China, EMEA and Asia
- Enhanced competitiveness



Tianyi F41A-PT
(Snow Mountain)



ThinkCentre A61e
(Ultra Small Form Factor)

Mobile Handset Q3 2007/08

- Held #4 place in China with 5.9% market share
- Unit shipments down 31% YTY
- Sales down 26% YTY to US\$108 million



i716



S7



P705



P990

Disposal of Mobile Handset Business

- **The Disposal Proposal**

- Sell 100% to a private equity group led by Hony Capital
- Consideration: US\$100 million
- Gain on disposal: approx. US\$66 million



i389



i966

Outlook

- Confident to deliver higher than market growth
- Invest to drive sustained future growth
- Increased focus on operational efficiencies



William Amelio

President & Chief Executive Officer

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Strategic Initiatives

1. Transaction Model Roll-out

2. Supply Chain

3. Desktop Competitiveness

4. Brands



Strategic Initiative #1: Transaction Model Roll-out

- Strong performance in Q3
 - WW Transaction sales +22% YTY
 - Shipments +28%
 - Strong profitability
 - Notebook volume +60%
 - Market share gains in all geographies
- Continued success of the roll-out
 - Volume, sales & profitability growth
 - Growing faster than overall market
 - Germany: volume +52% YTY
 - France: volume +45% YTY
 - US: volume +37% YTY
 - Latin America: volume +86% YTY



Relationship Model

- Sustained growth & profitability
 - Volume +15% YTY
 - Sales +12% YTY
 - All geographies profitable
 - 4th consecutive quarter
- Strategic focus driving growth
 - Fully integrated business mgmt. system
 - Enhanced sales capacity



Strategic Initiative #2: Supply Chain Upgrade

- Overall cost and efficiency improvements
 - 13% YTY cost per box savings
 - Double-digit material cost reductions
- 14% YTY increase in worldwide serviceability
 - Desktop performance outside China improved 97%
 - 18% increase in worldwide notebook performance
- Lean Six Sigma initiatives →US\$2M in business value
- New Poland plant announced November 27



Strategic Initiative #3: Desktop Competitiveness

- YTY WW share gain for 10 consecutive quarters
- 4th consecutive quarter of profitability
- Shipments up 12% YTY
- Sales up 10%
- Key milestones
 - Desktop serviceability record highs
 - *PC Magazine* “Desktop of the Year”
 - ThinkCentre M55e
 - Launched industry firsts in monitors

Lenovo Desktop YTY
WW Share Gain



Volume ■
Market Share ■

Services, Software & Peripherals

Lenovo Services

- Contract signings up 62% YTY
- Customer satisfaction remains high
 - 4-Star Service Desk Certification (HDI)
 - #1 in Break/Fix (TBR)
 - #1 in External Phone Support (TBR)

Software & Peripherals

- Sales up 18%
 - Strong growth in China market
 - Continued high overall attach rate
 - Expanded routes to market
 - New or growing alliance partnerships
 - LANDesk, Utimaco, Avaya



Strategic Initiative #4: Brand Building

- Worldwide brand metrics ahead of plan in Q3
- Sponsorships
 - Olympics
 - 1 Year Countdown
 - Google/Olympic Torch Bearer
 - Formula One
 - Brazil & China races
 - Strong full-year coverage
- Successful Product Launches
 - ThinkStation launch – workstation market
 - IdeaPad launch – consumer market
- Coming Up....the Ideas Campaign



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WORLDWIDE PARTNER



Strategic Focus

- Execute against strategic initiatives
- Build upon base; grow core business
- Offer new products and services
 - Consumer (IdeaPad)
 - Workstations
 - Servers
- Penetrate new markets
 - Brazil, India, Turkey, Russia
- Improve operational efficiency
- Unlock additional value



Yang Yuanqing

Chairman of the Board

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Appendix

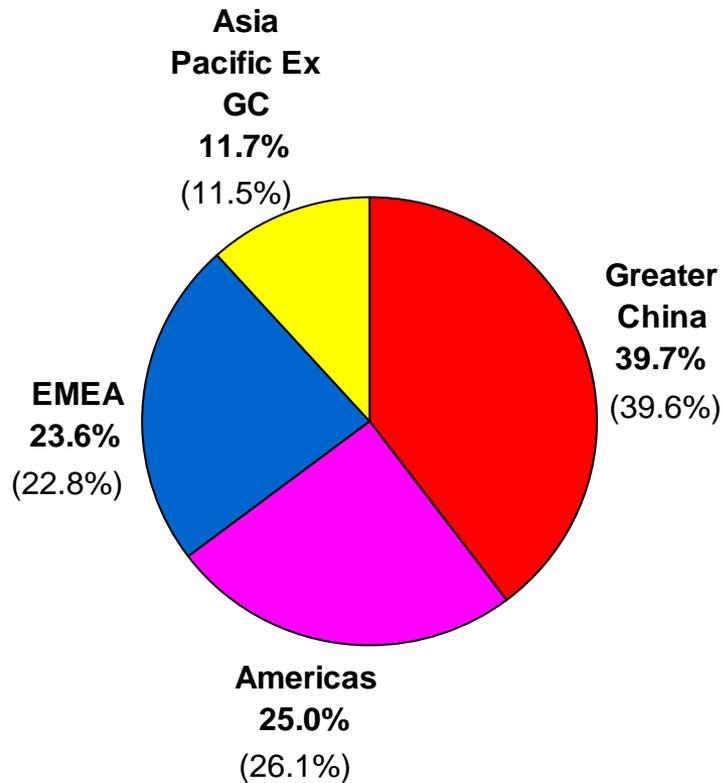
- **Sales Breakdown**
- **Income Statement**
- **Cash Flow Statement**

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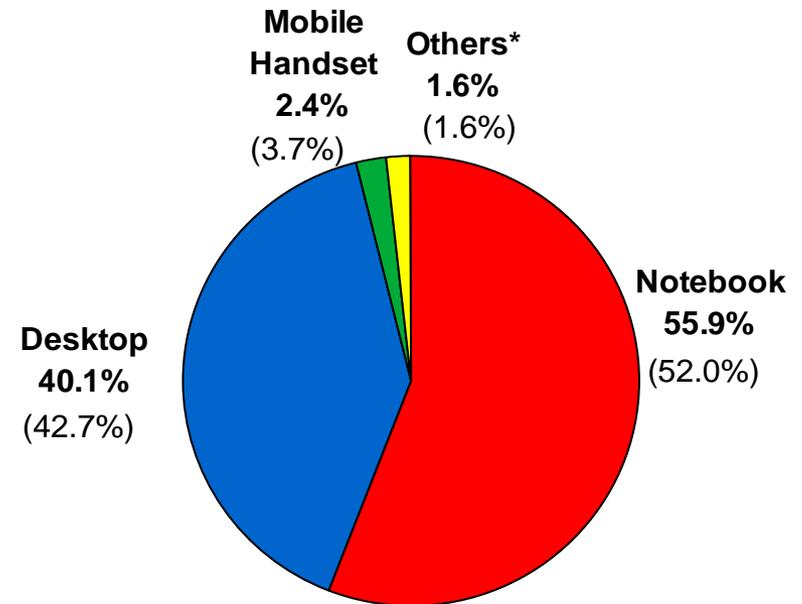
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Sales Breakdown (Q3 2007/08)

Balanced Geographic Mix



Strong Notebook Mix



Q3 2006/07 figures are in bracket

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

Consolidated Income Statement

US\$ Million	2007/08 Q3	2007/08 YTD	2006/07 Q3*	2006/07 YTD*
Sales	4,602	12,960	3,998	11,174
Cost of sales	(3,900)	(11,006)	(3,456)	(9,655)
Gross profit	702	1,954	542	1,519
Other income, net	9	11	(5)	10
Selling and distribution expenses	(302)	(898)	(287)	(851)
Administrative expenses	(174)	(452)	(130)	(357)
Research and development expenses	(67)	(187)	(63)	(170)
Other operating expenses	20	(42)	7	(24)
Operating profit	188	386	64	127
Finance income	15	36	8	19
Finance costs	(13)	(31)	(8)	(26)
Share of profits of associated companies	0	0	0	2
Profit before taxation	190	391	64	122
Taxation	(17)	(46)	(6)	(21)
Profit for the period	173	345	58	101
Profit attributable to:				
Shareholders of the Company	172	344	58	101
Minority interests	1	1	-	-
	173	345	58	101
Dividend		35		27
Earnings per share				
- Basic	1.93 US cents	3.95 US cents	0.67 US cents	1.17 US cents
- Diluted	1.76 US cents	3.63 US cents	0.64 US cents	1.14 US cents

* restated

Condensed Consolidated Cash Flow Statement

US\$ Million	2007/08 Q3	2006/07 Q3
Net cash generated from operating activities	375	434
Net cash used in investing activities	(46)	(68)
Net cash used in financing activities	(47)	(40)
Increase in cash and cash equivalents	282	326
Effect of foreign exchange rate changes	(6)	3
Cash and cash equivalents at the beginning of the period	1,882	1,101
Cash and cash equivalents at the end of the period	2,158	1,430