

Lenovo Group Limited

2006/07 Interim Results

November 9, 2006

New World. New Thinking.

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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\$m	%	Y/Y	Q/Q	US\$m	%	US\$m	%
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

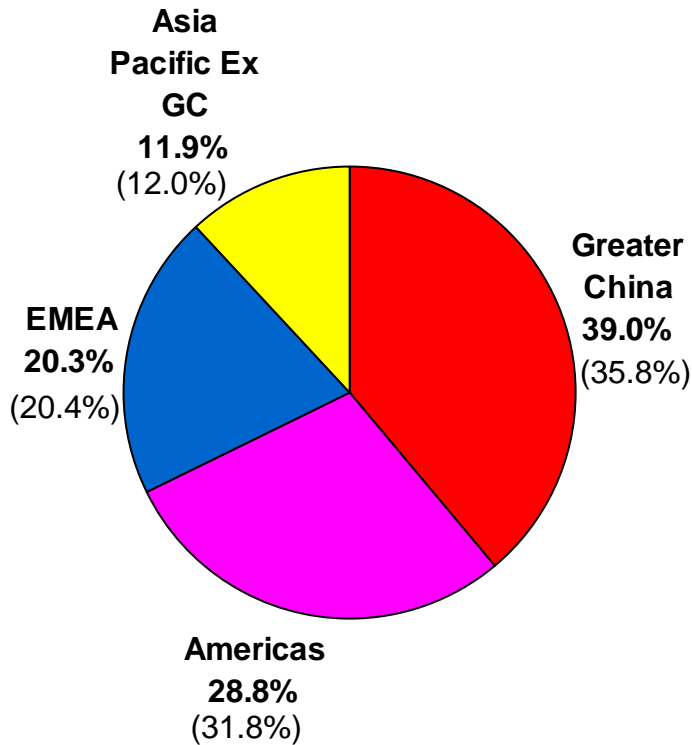
Cash and Working Capital

US\$mn	2Q 2006/07	2Q 2005/06	1Q 2006/07
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

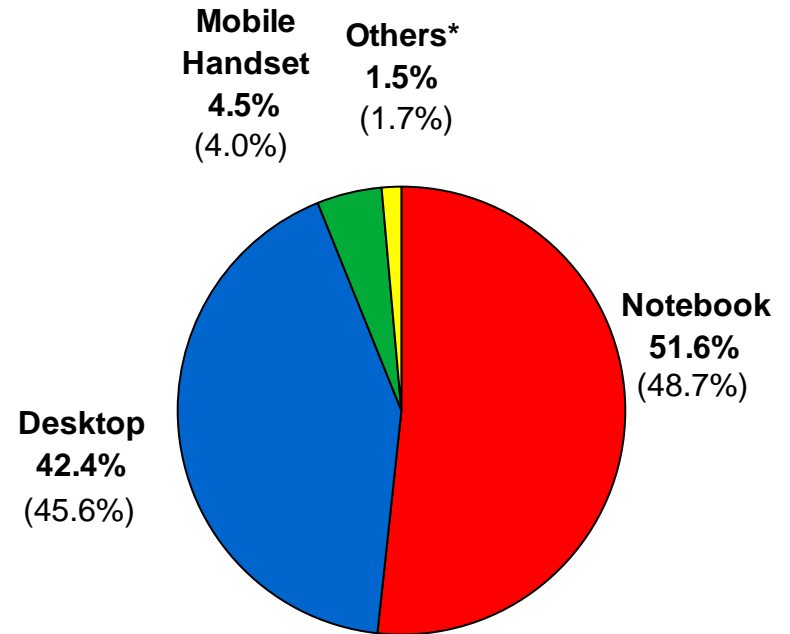
** Excluding restructuring charges

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.

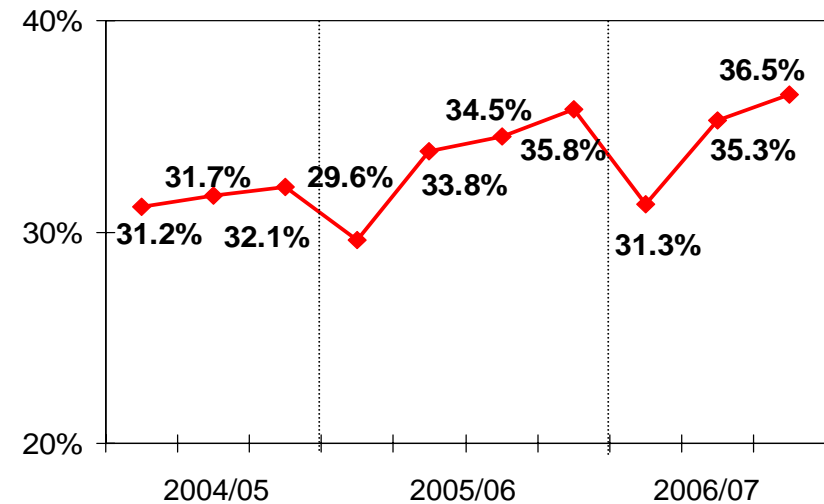
Geography Summary (Excluding restructuring charge)

	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

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



* fiscal year 2004-2005, results before acquisition reflect combined shares of Lenovo and IBM PCD

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

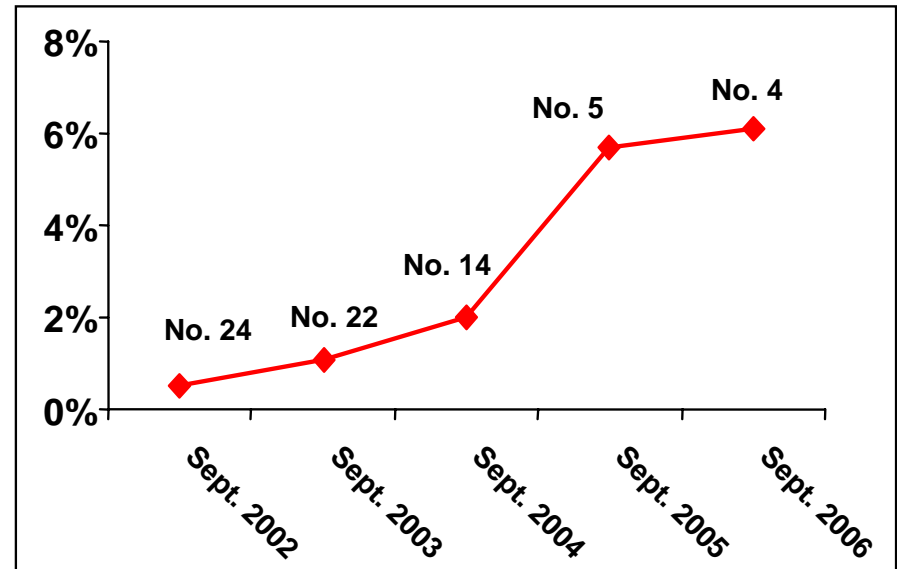


3000 – V Series

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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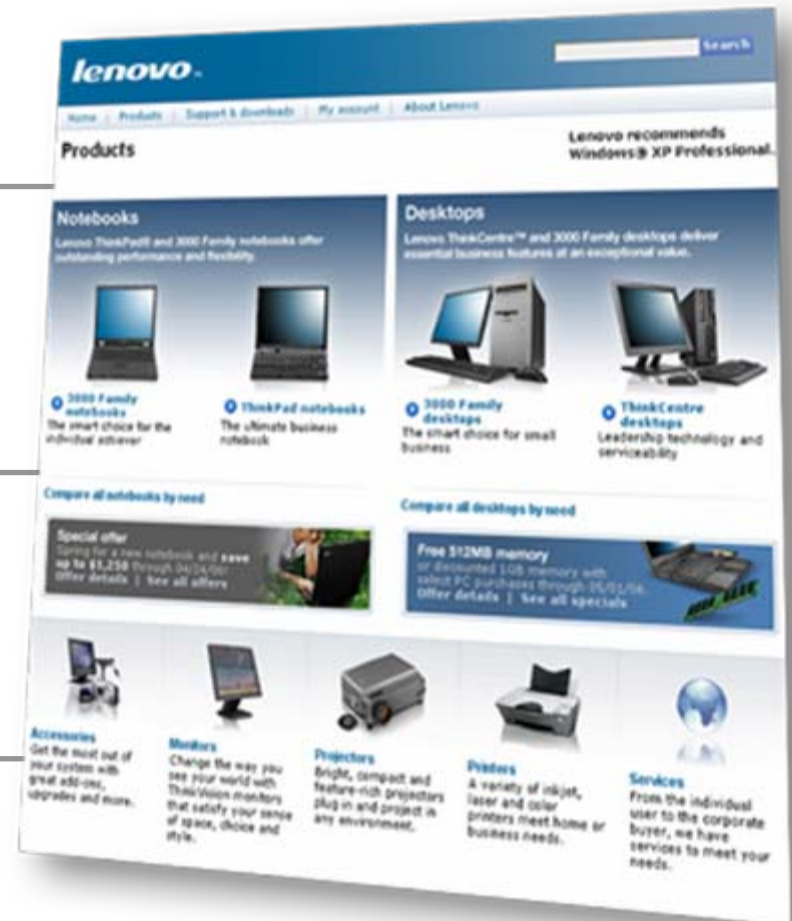
Driving Global Operational Excellence

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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