Lenovo – An example of Chinese Globalisation

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New World. New Thinking.
Globalisation for Lenovo

- Introducing Lenovo in 2006
- From Legend to Lenovo
- Three Growth Stages
  - The Pioneering Era
  - The PC Brand Era
  - The Globalisation Era
- Creating a Global Brand
- Designing and Integrating a New Culture
- Innovations in IT and with IT
Lenovo Facts in 2006

Stock Information
- Incorporated in Hong Kong in 1988
- Listed on The Stock Exchange of Hong Kong since February 1994 (Stock code: 992)

Ownership structure as of January 31, 2006
- Public shareholders 34.7%
- Legend Holdings Limited 42.0%
- IBM 13.2%
- Texas Pacific Group, General Atlantic LLC and Newbridge Capital LLC 10.1%
* The Chinese Academy of Sciences and Employees’ Shareholding Society of Legend Holdings Limited hold 65% and 35% of Legend Holdings Limited respectively.

Company Information
- PC manufacturing and assembly facilities in Shenzhen, Huiyang, Beijing and Shanghai in China and Sanmina-SCI locations worldwide
- Sales representation worldwide
- Distribution capability — 27000 employees (21000 in PC) and approximately 40,000 business partners and 5,000 retail outlets
- After-sales services — 24/7 toll-free call center in Beijing and more than 3,000 Lenovo technical support engineers; and through IBM’s global services with 7 support centers worldwide

Fiscal Year 2005/2006

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<tr>
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<th>Revenue HK$ M</th>
<th>Operating Profit HK$ M</th>
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<tbody>
<tr>
<td>Greater China</td>
<td>37,998</td>
<td></td>
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<tr>
<td>Americas</td>
<td>30,900</td>
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<tr>
<td>EMEA</td>
<td>21,615</td>
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<td>AP (exc GC)</td>
<td>13,038</td>
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<tr>
<td>TOTAL</td>
<td>103,551</td>
<td>2,476</td>
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Twenty Legendary Years for Lenovo

Lenovo in 1984
- Founding members: 11 researchers
- Initial investment: US$25 K

Lenovo Today
- Over 27,000 employees
- Revenue 2005: US$13.3 Bn (estimated)
Three Growth Stages

1984-1993
Stage 1
Pioneering Era

1994-2003
Stage 2
PC Brand Era

2004-
Stage 3
Globalization Era

15 June 2006
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Carefully Designed Culture Integration Process

1. Understand the strategic intent of the merger

2. Develop the future mission and vision for Newco
   - What is Newco’s contribution to society?
   - What is Newco’s place in the market?

3. Diagnose the existing cultures
   - Company A
   - Company B

4. Define the desired new culture and EVP
   - Employee value proposition
   - Customer focus
   - Trust
   - Work-life balance
   - Innovation
   - Being competitive

5. Design and deliver 5-part cultural program to transition to the new culture
   - Role-modeling
   - Fostering understanding and conviction
   - Mindsets shifts
   - Developing talent and skills
   - Reinforcing with formal mechanisms
American and European Innovation

Chinese Innovation
Lenovo Research and Development

More than 1,700 world-class engineers, scientists and research leaders
24 hour Research and Development Operations

Today & Tomorrow
- Notebooks, Desktops, Servers, Printers
- Smart Phones, Projectors
- Digital Entertainment Devices

Today & Tomorrow
- ThinkPad & Notebook Design
- ThinkPad Technical
- Project Management

Today & Tomorrow
- ThinkVantage Technology
- WW Quality / PE / Operations
- Customer Enablement
- WW Product Marketing

Lenovo Research
Lenovo Development
Supporting IBM Research
Business Transformation – IT is the Key Enabler

Lenovo China

Lenovo International

One Lenovo

- Best of breed in China: 0.4% E/R
- Global Business Processes
- Central/Integrated IT Systems
- Central Planning and Control
- Dual Model
- Centralized Inventory Mgmt
- Real-time Data Visibility
- Flexibility to Adapt to Change
Globalising the supply chain through IT

- Direct ship to over 100 countries, direct ship to over 20,000 customer locations
- Over 90% Products are Configured to Order & Directly Shipped to Customers Globally

- About 5,000~10,000 Orders A Day, over 30 Different Languages
- Support different "route to market" - business partners / end user customers
- Manage Inventory Turns in Triple Digit
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closed the acquisition of the IBM PC Division in record time
became a $13-billion global PC leader
made an unprofitable business profitable
reached record high share in China
drove leadership in high-end notebooks
increased customer satisfaction
became 1st Chinese company to be Olympic Top Sponsor
launched Lenovo branded products outside of China
Thank You

New World. New Thinking: