

Chairman's Statement



Lenovo's ultimate goal has always been to become an outstanding company with sustained high performance.

Yuanqing Yang *Chairman of the Board*

The 2004/05 fiscal year was remarkable for Lenovo. Lenovo strengthened its competitiveness in core business areas (PCs and related products) and strategic new business (mobile handsets) with timely and successful strategic initiatives, overcoming intensified competition in the China IT market and changing consumer needs. With our acquisition of the IBM's personal computer business, Lenovo became a global company, fulfilling a long-standing goal. Through most of the fiscal year, Lenovo worked on the acquisition negotiations as well as complex integration and closing activities. However, through strong execution, the Group not only completed the acquisition early, in five months' time, but also achieved continuing growth in operating results. I'm very proud of Lenovo's management for their outstanding performance.

Lenovo is a company with great ambition. It has been searching for breakthroughs in development since 2001.

Last year, Lenovo implemented strategic initiatives focused on developing our core business and strategic new business, customer needs and operating efficiencies. One thing worth mentioning is that management made changes to Lenovo's original business model, based on a better



understanding of our customers' needs and analysis of the buying characteristics of transactional versus relationship customers. These changes improved our original transaction-focused sales model, allowing us to gain volume increases by developing markets in tier-five and -six cities. We have also started to see the benefits from developing the relationship customer model.

I believe that these initiatives will positively affect Lenovo's long-term development, enabling us to gain greater advantage in major China market segments and to identify growth drivers in China for the next three-to-five years. Looking further into the future, these initiatives will help the new Lenovo explore opportunities to achieve world-class operating efficiency, strengthen its global competitiveness, and also build a solid foundation for success.

On May 1, 2005, Lenovo entered a new era of globalization, with the closing of its acquisition of IBM's global personal computer business. Lenovo will be able to leverage the brand recognition of the "Lenovo" and "Think" names, the complementary nature of Lenovo and IBM's personal computer business, and our highly sophisticated operating platform. I firmly believe that Lenovo will become the best enterprise in the personal computer industry.

In five years, our expectation for the management team is to transform "Lenovo" to an outstanding PC brand; significantly increase market share through global operations; maintain healthy profitability; build a competitive business model; and explore new development opportunities beyond the personal computer industry.

Lenovo's ultimate goal has always been to become an outstanding company with sustained high performance. I'm confident that Lenovo will achieve this, and other, important goals for its shareholders.



Yuanqing Yang

Chairman of the Board
Hong Kong, June 8, 2005

Message from Former Chairman



Chuanzhi Liu (left), former Chairman of Lenovo, and John Joyce (right), Senior Vice President & Group Executive of Global Services of IBM, at the acquisition signing ceremony.

Since its founding, Lenovo has held fast to a core vision – to become a true player in the global PC market. With the acquisition of IBM's Personal Computing Division in 2005, Lenovo finally fulfilled the dream of two generations of Lenovo employees and marked the beginning of an important new era for the Group. This acquisition is truly a milestone in the Group's history.

In all, 2004 was an extraordinary year for Lenovo. Through our historic acquisition of IBM's PC business, we have effectively transformed Lenovo into a flourishing, large-scale global company. And, alongside our negotiations with IBM, we also saw equally historic changes in the way Lenovo does business. The success of these strategic initiatives has demonstrated not only Lenovo's ability to execute but also our courage to overcome obstacles, the essence of an outstanding company.

Today, the new Lenovo is moving ahead with great confidence and momentum, fully prepared to compete with the best enterprises worldwide. I am confident in Lenovo's future and believe that under Steve Ward's and Yuanqing Yang's leadership Lenovo will set a standard for global enterprises and make important contributions to the development and use of technology worldwide. I firmly believe that Lenovo's financial results will reflect the exceptional ambition, courage and intelligence of our management and employees.



Engaging The World

lenovo A Worldwide Leader in Technology

Lenovo is an innovative, international technology company formed by the Lenovo Group's acquisition of the IBM Personal Computing Division.

As a global leader in the PC market, we develop, manufacture and market cutting-edge, reliable, high-quality PC products and value-added professional services that provide customers around the world with smarter ways to be productive and competitive.

We base our success on our customers achieving their goals: productivity in business and enhancement of personal life.



Right:
Yuanqing Yang
Chairman of the Board

Left:
Steve Ward
*President and
Chief Executive Officer*





Lenovo's executive headquarters in Purchase, New York (left), with principal operations in Beijing, China (middle) and Raleigh, North Carolina, the United States (below).



Our Values

Lenovo and its employees are committed to four company values that are the foundation for all that we do:

- **Customer service:** We are dedicated to the satisfaction and success of every customer.
- **Innovative and entrepreneurial spirit:** Innovation that matters to our customers, and our company, created and delivered with speed and efficiency.
- **Accuracy and truth-seeking:** We manage our business and make decisions based on carefully understood facts.
- **Trustworthiness and integrity:** Trust and personal responsibility in all relationships.

A Heritage of Innovation and Excellence

Lenovo's entrepreneurial spirit and IBM Personal Computing Division's track record of breakthroughs live on in today's Lenovo, an IT giant with global reach, competing worldwide.

Globally, the company offers customers the award-winning ThinkPad notebooks and ThinkCentre desktops, featuring the ThinkVantage Technologies software tools as well as ThinkVision monitors and a full line of PC accessories and options.



Staff kick-off event at Raleigh, North Carolina, the United States.

In China, Lenovo has earned about one-third of the PC market covering all segments. Its leading-edge PCs are highly acclaimed for ease-of-use, tailor-made designs and customized solutions for various customer needs. Lenovo also has a broad and expanding product line encompassing mobile handsets, servers, peripherals and digital entertainment products for the China market.

Rich in Research & Development Talent

Customers of the new Lenovo will benefit from the union of Lenovo's and IBM Personal Computing Division's extraordinary R&D capabilities. Lenovo's global research and development centers in China, Japan and the United States have produced some of the world's most important advances in PC technology. The company is rich in talent, with teams that have won hundreds of technology and design awards – including more than 2,000 patents – and introduced many industry firsts. And many more are on the way.

The goal of Lenovo's R&D team is ultimately to improve the overall experience of PC ownership while driving down total cost of ownership. In turn, this commitment distinguishes Lenovo from its competitors and attracts PC customers who demand the increased productivity that real innovation provides.

Lenovo's mobile business unit also shares this commitment to innovation. Its leadership in developing proprietary mobile handsets has resulted in tailor-made designs that satisfy individual communication needs.



Lenovo Management Team



Yuanqing Yang
Chairman of the Board



Steve Ward
President and
Chief Executive Officer



Mary Ma
Senior Vice President and
Chief Financial Officer



Jun Liu
Senior Vice President and
Chief Operating Officer,
Lenovo China



Fran O'Sullivan
Senior Vice President and
Chief Operating Officer,
Lenovo International



Deepak Advani
Senior Vice President and
Chief Marketing Officer



Ravi Marwaha
Senior Vice President,
Worldwide Sales



George He
Senior Vice President,
Research and Technology





Peter Hortensius
Senior Vice President,
Worldwide Product
Development



Song Qiao
Senior Vice President and
Chief Procurement Officer



Xiaoyan Wang
Senior Vice President and
Chief Administrative Officer,
Lenovo China



Bill Matson
Senior Vice President,
Human Resources



Zhijun Liu
Vice President,
Mobile Handset Business





Lenovo Fengxing K consumer PC

TOGETHER WE SERVE CUSTOMERS



ThinkPad T43p notebook

