

The Lenovo logo is displayed in a white, italicized, sans-serif font. The background of the top section of the slide is a dark blue gradient with abstract, flowing light blue lines.

NEW WORLD. NEW THINKING.

Lenovo Group Limited

2008/09 Annual Results

May 21, 2009

The Lenovo logo is displayed in a bold, italicized, white sans-serif font.

NEW WORLD. NEW THINKING.

Wong Wai Ming

Chief Financial Officer

Financial Summary

US\$ Million	Q4 FY2008/09	Q4 FY2007/08	Y/Y	Q/Q	FY 2008/09	Y/Y
Continuing Operations						
Sales	2,771	3,734	(963)	(821)	14,901	(1,451)
Gross Profit*	285	559	(274)	(69)	1,779	(671)
Operating Expenses*	(363)	(471)	108	87	(1,773)	148
Other Income, net	-	6	(6)	-	1	(16)
Operating (Loss)/Profit*	(78)	95	(173)	18	7	(539)
Other Non-Operating (Expenses)/Income	(3)	9	(12)	(9)	22	8
Pre-tax (Loss)/Income*	(81)	103	(184)	9	29	(531)
Restructuring Cost	(116)	-	(116)	(110)	(146)	(98)
One-off Items	(71)	-	(71)	(71)	(71)	(71)
Pre-tax (Loss)/Income	(268)	103	(371)	(172)	(188)	(700)
Taxation	4	2	2	5	(38)	10
(Loss)/Profit from Continuing Operations	(264)	105	(369)	(167)	(226)	690
Profit from Discontinued Operations	-	36	-	-	-	-
(Loss)/Profit attributable to Shareholders	(264)	140	(404)	(167)	(226)	(710)
EPS (US cents)						
- Basic	(2.98)	1.56	(4.54)	(1.89)	(2.56)	(8.07)
- Diluted	(2.98)	1.44	(4.42)	(1.89)	(2.56)	(7.62)
Dividend per share (HK cents)					3.00	(12.80)

	Q4 2008/09	Q4 2007/08	Q3 2008/09
Gross margin*	10.3%	15.0%	9.8%
Expense-to-revenue ratio*	13.1%	12.5%	12.5%
Operating margin*	-2.8%	2.5%	-2.7%
PTI margin*	-2.9%	2.8%	-2.5%
Net profit margin	-9.5%	3.8%	-2.7%

lenovo * Excludes restructuring costs & one-off items

NEW WORLD. NEW THINKING.

Condensed Balance Sheet

US\$ Million	As at Mar 31, 2009	As at Mar 31, 2008
Non-current assets	2,521	2,494
Property, plant and equipment	314	365
Intangible assets	1,853	1,838
Others	354	291
Current assets	3,787	4,705
Bank deposits and cash	1,863	2,191
Account receivables	1,425	1,999
Inventories	450	472
Others	49	44
Current liabilities	4,106	4,488
Short-term bank loans	20	61
Account payables	3,535	4,273
Current portion of non-current liabilities	437	49
Others	114	105
Net current (liabilities)/assets	(319)	217
Non-current liabilities	891	1,098
Total equity	1,311	1,613

Cash and Working Capital

US\$ Million	<u>Q4 2008/09</u>	<u>Q4 2007/08*</u>	<u>FY 2008/09</u>	<u>FY 2007/08*</u>
Bank deposits and cash	1,863	2,191	1,863	2,191
Total Bank Borrowings	<u>685</u>	<u>561</u>	<u>685</u>	<u>561</u>
Net Cash Reserves	1,178	1,630	1,178	1,630
Days Inventory	17	13	16	10
Days Receivable	33	28	30	24
Days Payable	76	70	69	62
Cash Conversion Cycle	-26 days	-29 days	-23 days	-28 days

* Continuing operations

Q4 Geography Performance

- **Greater China**
 - PRC shipments up 4% YTY
 - PRC market share up 1.1 pt to 26.7%
 - Strengthened no. 1 position
- **Americas, EMEA, Asia Pacific (ex. GC)**
 - Shipments:
 - Americas -19%; EMEA -13%; Asia Pacific (ex. GC) -32%
 - Weakness in commercial segment
 - Limited participation in consumer business
 - Margin and expense management focus and execution
 - Major realignment of organizational structure
 - Laying foundation for successful strategy execution

Q4 Geography Summary

(Excluding restructuring charges & one-off items)

	Sales US\$mn			Segment Operating Profit US\$mn			Segment Operating Profit Margin		
	Q4 09	Y/Y*	Q/Q	Q4 09	Q4 08*	Q3 09	Q4 09	Q4 08*	Q3 09
Greater China	1,207	-6.2%	-25.0%	56	99	97	4.6%	7.7%	6.1%
Americas	682	-33.5%	-24.5%	(48)	16	(33)	-7.0%	1.5%	-3.7%
EMEA	591	-32.8%	-19.7%	(26)	18	(83)	-4.3%	2.0%	-11.3%
AP (ex GC)	291	-46.4%	-15.3%	(30)	6	(48)	-10.4%	1.2%	-14.0%

* Continuing operations

FY 2008/09 Geography Summary

(Excluding restructuring charges & one-off items)

	Sales US\$mn			Segment Operating Profit US\$mn		Segment Operating Profit Margin	
	FY2008/09	FY2007/08*	Y/Y*	FY2008/09	FY2007/08*	FY2008/09	FY2007/08*
Greater China	6,434	6,126	5.0%	377	427	5.9%	7.0%
Americas	3,750	4,506	-16.8%	(68)	105	-1.8%	2.3%
EMEA	3,120	3,606	-13.5%	(101)	137	-3.2%	3.8%
AP (ex GC)	1,597	2,113	-24.4%	(94)	12	-5.9%	0.6%

* Continuing operations

Q4 Product Performance

- **Notebook**

- Shipment up 2% YTY
- Gained market share in both Commercial and Consumer Notebook segments
- Sales down 26% YTY, 60% of total sales
- Product mix moving towards lower priced offerings
- IdeaPad netbooks contributed to significant growth

- **Desktop**

- Shipment down 18% YTY
- Gained market share in WW total Desktop segment
- Sales down 26% YTY, 38% of total sales
- Introduced various models, including AIO IdeaCentre A600
- Simplified product portfolio to drive operational efficiency and reduce costs

Outlook

- Expects the operating environment remains very challenging
- Restructuring action on track to drive further efficiency
 - To realize savings of US\$300 million in FY2009/10 on a run-rate basis
- Continue to invest in IT effectiveness for the long-term benefit
- Strategic priorities in place to improve performance
- Healthy balance sheet with strong cash position

The Lenovo logo is displayed in a white, italicized, sans-serif font. The background of the top section of the slide is a dark blue gradient with abstract, flowing light blue lines.

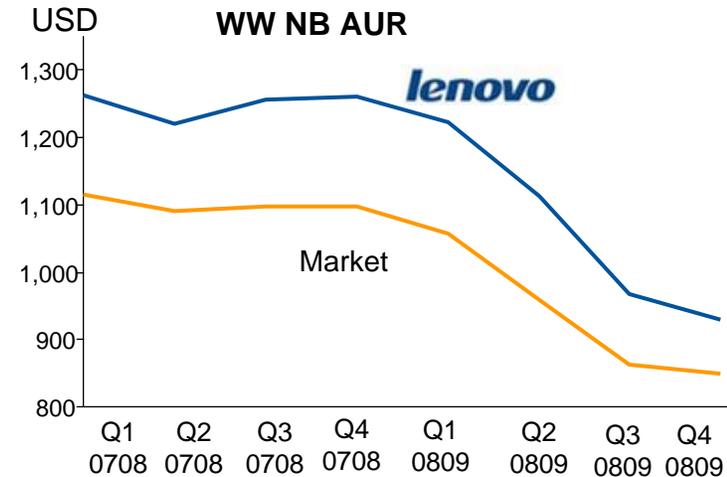
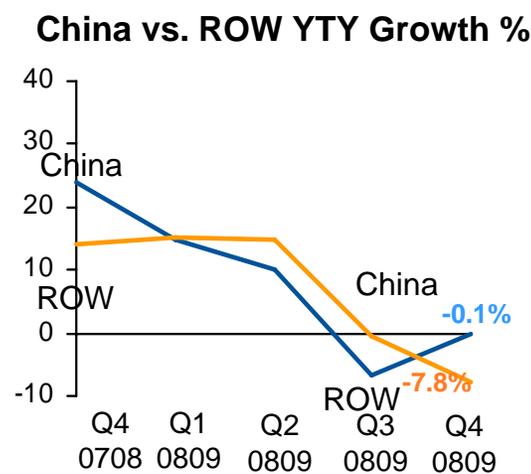
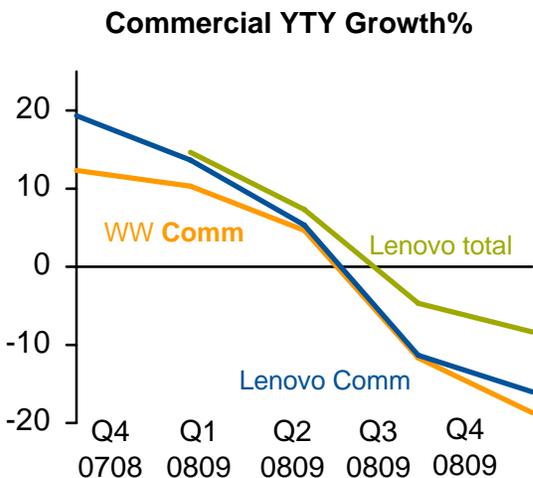
NEW WORLD. NEW THINKING.

Yang Yuanqing

Chief Executive Officer

Macroeconomic Factors Continue to Impact Industry

- Worldwide commercial demand remained weak due to economic slowdown
- China growth fell behind world for first time in decade (first 3 quarters 08/09)
- Industry moved rapidly to lower price points



Decisive Actions Showing Results

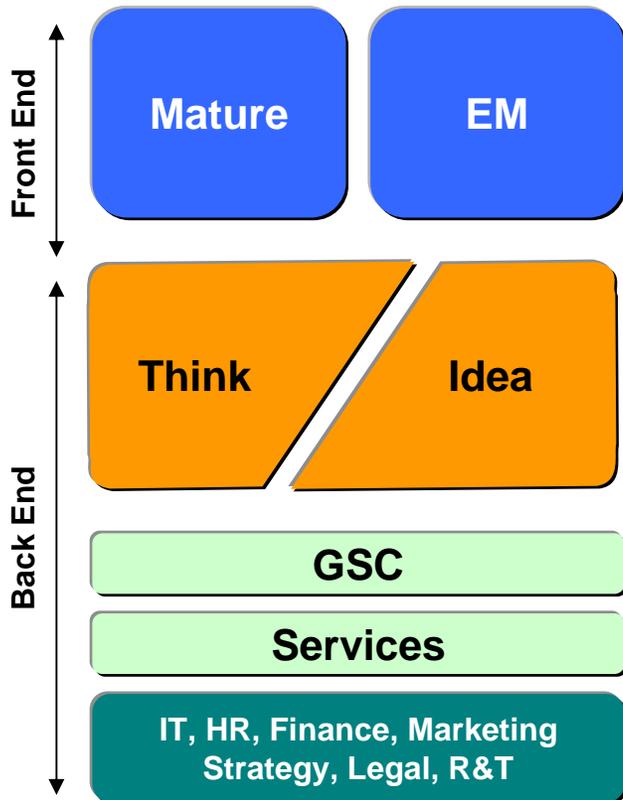
Actions

- Announced restructuring to cut US\$300m in cost/expense
- Took aggressive action to manage expenses
- Clarified strategy
- Realigned organization

Results

- On track to realize restructuring savings in 2009/10
- Expense management already yielding results
- Strategic focus: Protect strengths, seize opportunities
- Reorganization enables greater speed and agility

New Organization Drives Speed, Performance, Efficiency



Mature/Emerging Markets Groups

- Organized geo by type: Emerging and Mature
- Focus on WHO customers are and WHAT they need
- Business model aligned with market dynamics

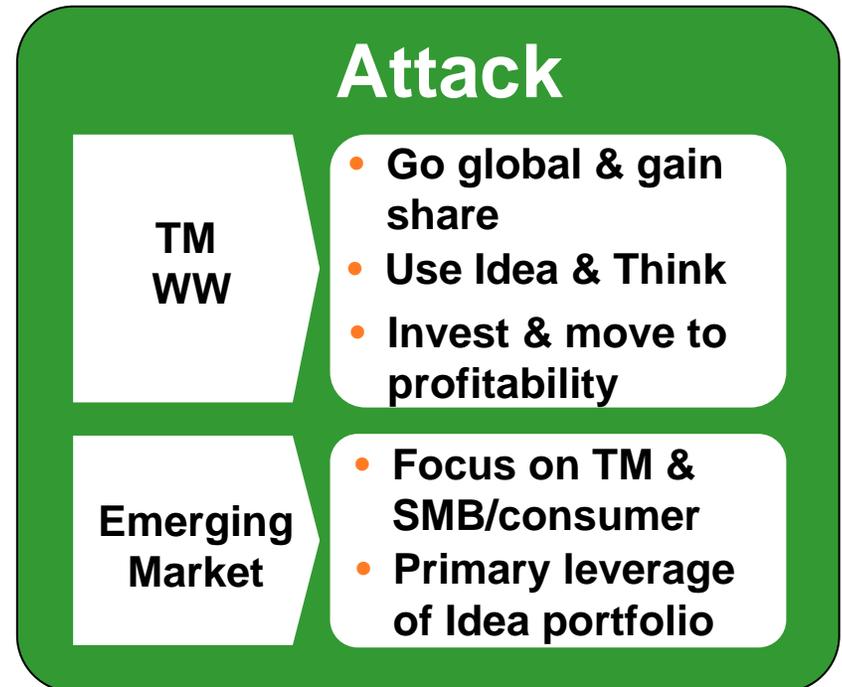
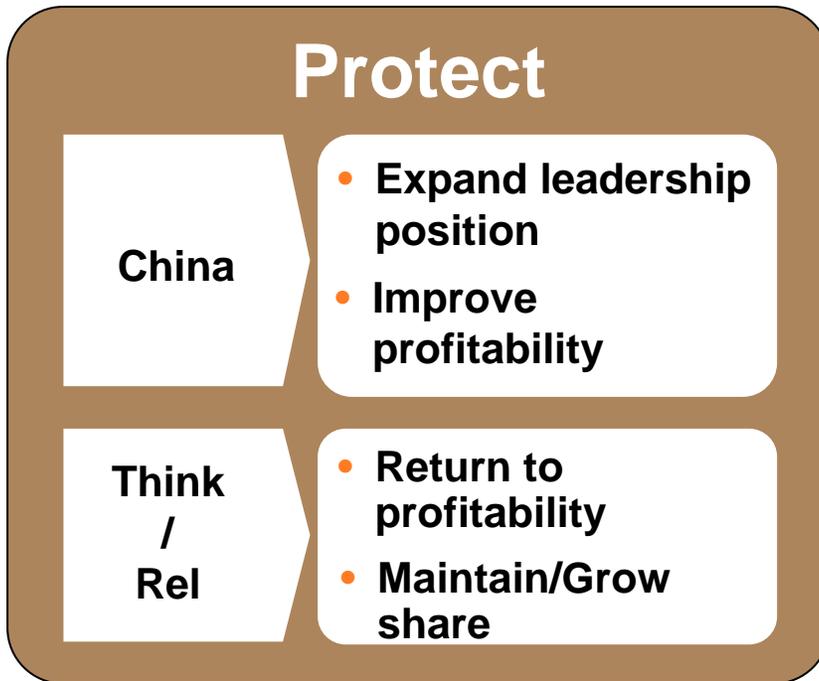
Think/Idea Product Groups

- Tight integration of end-to-end production process
- Speeds time to market
- Drives product innovation
- Improves competitiveness

Benefits of New Structure

- Clarity and focus
- Accountability and efficiency
- Speed and agility

Strategic Priorities: Protect Strengths, Attack Opportunities



Effective business model

- Drive speed and efficiency

Lean cost structure

- Leverage China infrastructure in TM & EM
- Meet the par with competition in Rel

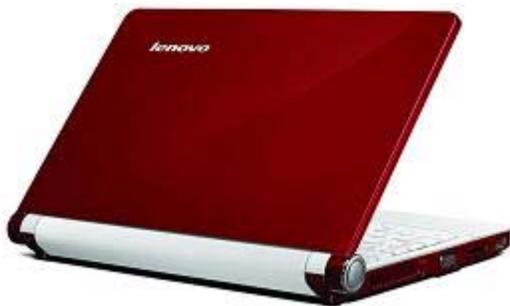
Innovation leadership

- Premium Think
- Creative Idea
- New business
- Innovation efficiency

Protect China Leadership by Continuing to Drive Growth

- Gained market share 4Q year-to-year
- China once again growing faster than rest of the world
- Uniquely positioned to capture growth opportunities in China
 - Government stimulus spending
 - 3G adoption
 - PCs to the Countryside

China Share up 1.1 points YTY



IdeaPad Netbook S10



Protect Commercial Business and Restore Profitability

- Continue to acquire accounts aggressively, faster than the market
- Business pipeline well positioned for next year
- Improved competitiveness due to cost savings
- Replicate success faster across global accounts/mature markets
- Benefit from dedicated efforts worldwide to capture stimulus spending

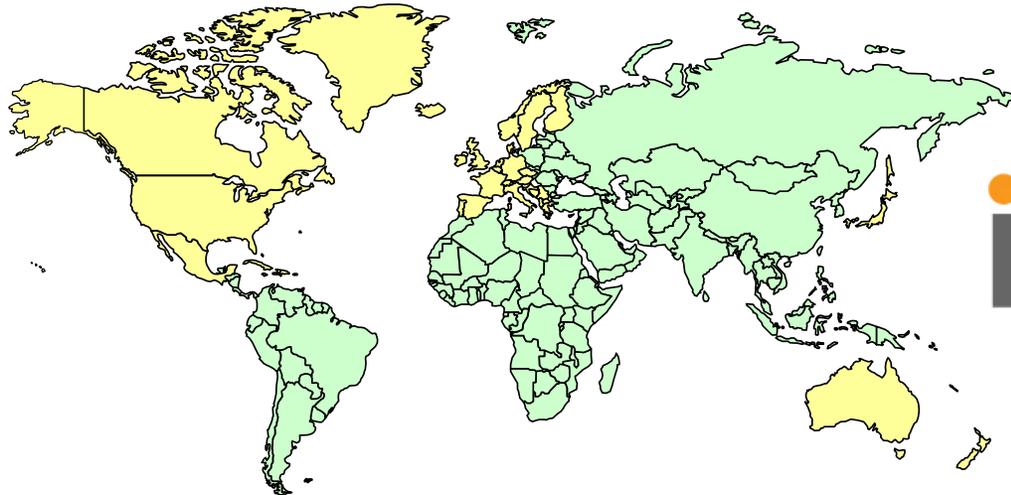


The **ultimate** business tool

Attack to Gain Share: Emerging Markets / Transactional WW

Keys to Success in Emerging Markets and WW Transactional sales

- Leverage China product portfolio and THINK in WW Transactional
- Leverage lean cost structure from China
- Replicate successful China business model



Innovative Products Address Customer Needs

- Lenovo products continue to lead the industry in innovation
- Innovations that matter to customers
- Key innovation priorities
 - Outstanding, premium Think products
 - Creative, stylish Idea products
 - Innovation that drives new business opportunities
 - Innovation that is efficient and customer focused

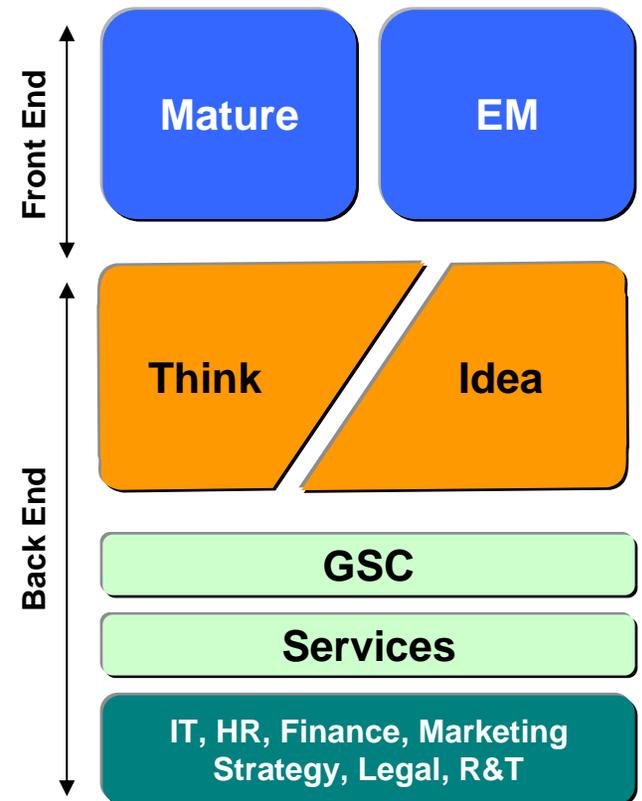


“(IdeaPad S-10) sends a message: Namely, that Lenovo takes netbooks seriously – and believes that it has delivered a truly awesome model the first time around (it did).” – PC WORLD

“Lenovo’s T-Series has once again set the bar for business laptops.” – PC MAGAZINE

Plan for Growth and Profitability

- Facing difficult challenges with decisive, effective actions
 - Restructuring and expense management
 - New organizational structure supports strategy execution
- Strategic priorities
 - Expand leadership in China
 - Return commercial to profitability
 - Rapid growth and share gain in emerging and global transactional markets
 - Drive customer-focused innovation
- Execute with speed, efficiency and focus



The Lenovo logo is displayed in a white, italicized, sans-serif font. The background of the top section of the slide is a dark blue gradient with abstract, flowing light blue lines.

NEW WORLD. NEW THINKING.

Liu Chuanzhi

Chairman of the Board

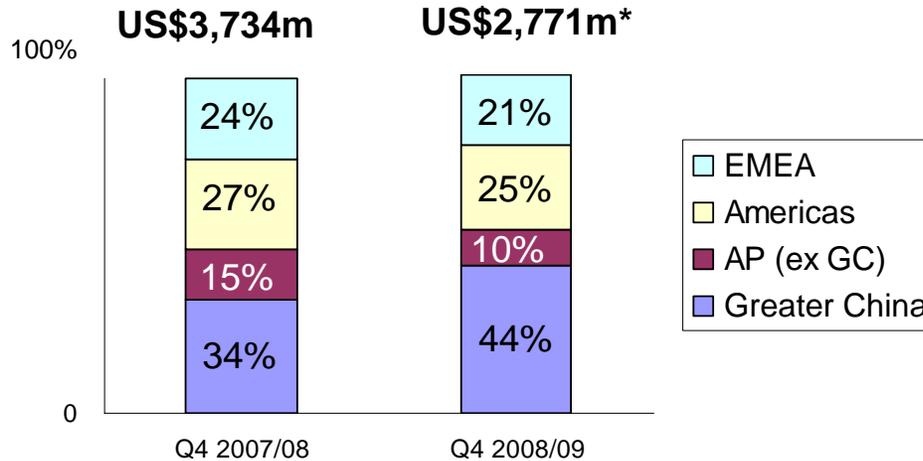
The Lenovo logo is displayed in a bold, white, italicized sans-serif font.

NEW WORLD. NEW THINKING.

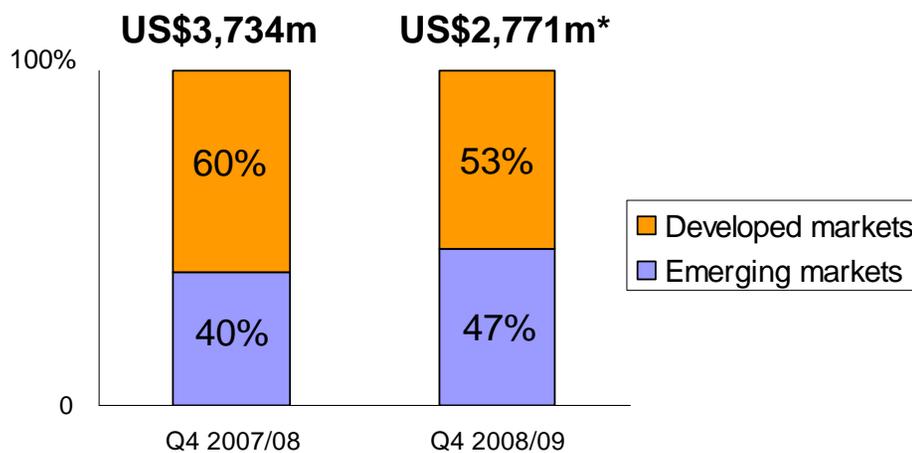
Appendix

- Sales Breakdown
- Income Statement
- Cash Flow Statement

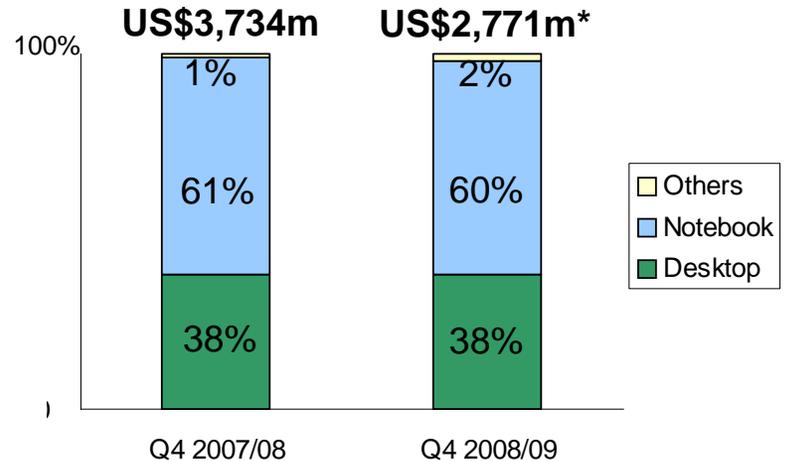
Sales Breakdown



Balanced geographic mix



Increasing emerging markets presence



Higher notebook mix

Consolidated Income Statement

US\$ Million	Q4 2008/09	FY 2008/09	Q4 2007/08	FY 2007/08
Continuing operations:				
Sales	2,771	14,901	3,734	16,352
Cost of sales	(2,523)	(13,160)	(3,175)	(13,902)
Gross profit	248	1,741	559	2,450
Other income, net	-	1	6	17
Selling and distribution expenses	(185)	(938)	(262)	(1,103)
Administrative expenses	(143)	(628)	(153)	(596)
Research and development expenses	(74)	(220)	(65)	(230)
Other operating (expenses)/income - net	(111)	(166)	10	(39)
Operating (loss)/profit	(265)	(210)	95	499
Finance income	6	60	16	52
Finance costs	(9)	(38)	(8)	(38)
Share of gain of associated companies	(0)	0	(0)	0
(Loss)/profit before taxation	(268)	(188)	103	513
Taxation	4	(38)	1	(48)
(Loss)/profit from continuing operations	(264)	(226)	104	465
Losses from discontinued operations	-	-	36	20
(Loss)/profit for the period	(264)	(226)	140	485
(Loss)/profit attributable to:				
Shareholders of the company	(264)	(226)	140	484
Minority interests	0	0	0	1
	(264)	(226)	140	485
Dividend	-	36	-	187
Earnings per share (US cents)				
- Basic	(2.98 US cents)	(2.56 US cents)	1.56 US cents	5.51 US cents
- Diluted	(2.98 US cents)	(2.56 US cents)	1.44 US cents	5.06 US cents

Condensed Consolidated Cash Flow Statement

US\$ Million	2008/09 Full Year	2007/08 Full Year
Net cash (used in)/generated from operating activities	(97)	1,009
Net cash generated from/(used in) investing activities	432	(734)
Net cash (used in)/generated from financing activities	(116)	290
Increase in cash and cash equivalents	219	565
Decrease in cash and cash equivalents from discontinued operations	-	(13)
Effect of foreign exchange rate changes	(7)	35
Cash and cash equivalents at the beginning of the period	1,651	1,064
Cash and cash equivalents at the end of the period	1,863	1,651

thank you grazie **merci** danke **grazias** 謝謝 СПАСИБО
gracias **obrigado** ありがとう **dank** takk **bedankt** dakujem

lenovo
NEW WORLD. NEW THINKING.