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NEW WORLD. NEW THINKING.

Lenovo Group Limited

2009/10 Q1 Results

August 5, 2009 – Raleigh /
August 6, 2009 – Hong Kong

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Wong Wai Ming

Chief Financial Officer

Financial Summary

US\$ Million	Q1 FY2009/10	Q1 FY2008/09	Y/Y	Q/Q
Sales	3,457	4,213	(755)	687
Gross Profit*	380	601	(221)	81
Operating Expenses*	(366)	(469)	103	9
Other Income, net	2	1	1	2
Operating Profit*	16	133	(117)	92
Other Non-Operating (Expenses)/Income	(15)	4	(19)	(10)
Pre-tax Income*	0	137	(137)	81
Restructuring Cost	(3)	-	-	114
One-off items	-	-	-	70
Pre-tax (Loss)/Income	(2)	137	(139)	266
Taxation	(14)	(26)	13	(18)
(Loss)/Profit attributable to Equity Holders	(16)	110	(127)	248
EPS (US cents)				
- Basic	(0.18)	1.25	(1.43)	2.80
- Diluted	(0.18)	1.15	(1.33)	2.80

	Q1 2009/10	Q1 2008/09	Q4 2008/09
Gross margin*	11.0%	14.3%	10.8%
Expense-to-revenue ratio*	10.6%	11.1%	13.5%
Operating margin*	0.5%	3.2%	-2.7%
PTI margin*	0.0%	3.2%	-2.9%
Net profit margin	-0.5%	2.6%	-9.5%



* Excludes restructuring costs & one-off items

Condensed Balance Sheet

US\$ Million	<u>As at Jun 30, 2009</u>	<u>As at Mar 31, 2009</u>
Non-current assets	2,545	2,521
Property, plant and equipment	301	314
Intangible assets	1,859	1,853
Others	385	354
Current assets	4,647	4,101
Bank deposits and cash	2,103	1,863
Account receivables	1,946	1,738
Inventories	550	450
Others	48	50
Current liabilities	4,763	4,420
Short-term bank loans	20	20
Account payables	4,410	3,848
Current portion of non-current liabilities	237	437
Others	96	115
Net current (liabilities)/assets	(116)	(319)
Non-current liabilities	1,124	891
Total equity	1,305	1,311

Cash and Working Capital

US\$ Million	<u>Q1 2009/10</u>	<u>Q1 2008/09</u>	<u>Q4 2008/09</u>
Bank deposits and cash	2,103	2,298	1,863
Total Bank Borrowings	685	513	685
Net Cash Reserves	1,418	1,785	1,178
Days Inventory	15	13	17
Days Receivable	22	28	33
Days Payable	71	64	76
Cash Conversion Cycle	-34 days	-23 days	-26 days

Geography Summary

- **China**
 - Shipments up 15% YTY; Market share gained 0.3 pts to 28.6%
 - Maintained leadership position
 - Continued to expand in new growth segments

- **Emerging Markets (Excluding China)**
 - Shipments down 6% YTY
 - Aggressive pursuit of the opportunities in emerging markets
 - Gained share in Russia, Turkey and Latin America

- **Mature Markets**
 - Shipments down 17% YTY
 - Impacted by the sluggish demand in commercial market
 - Made progress toward restoring profitability in Mature Markets

(Excluding restructuring charges & one-off items)	Sales US\$m			Segment Operating Profit US\$m			Segment Operating Profit Margin		
	Q1 10	Y/Y	Q/Q	Q1 10	Q1 09	Q4 09	Q1 10	Q1 09	Q4 09
China	1,671	0.6%	42.6%	111	114	57	6.6%	6.8%	4.9%
Emerging Markets (Ex. China)	474	-26.6%	21.7%	(38)	22	(67)	-8.1%	3.4%	-17.3%
Mature Markets	1,313	-31.1%	8.5%	(37)	19	(37)	-2.9%	1.0%	-3.0%

Product Performance

- **Notebook**

- Shipments up 21% YTY
- Sales down 9% YTY, 64% of total sales
- IdeaPad netbook contributed to the good volume growth
- Launched first group of CULV-based notebook
- Launched new generation of netbook with 3G embedded
- Extend the premium features of ThinkPad

- **Desktop**

- Shipments down 15% YTY
- Sales down 32% YTY, 34% of total sales
- Expanded AIO portfolio
- Launched first entry-level gaming system
- Drive end-to-end competitiveness cross product lines

Outlook

- Enterprise customers are still conservative about PC spending
- Q1 progress demonstrated the strengths of our strategic priorities
- Continue to expand our leadership in China
- Strive to restore profit in Mature Markets and expand success in Emerging Markets
- Continue solid execution to drive expense and cost reductions

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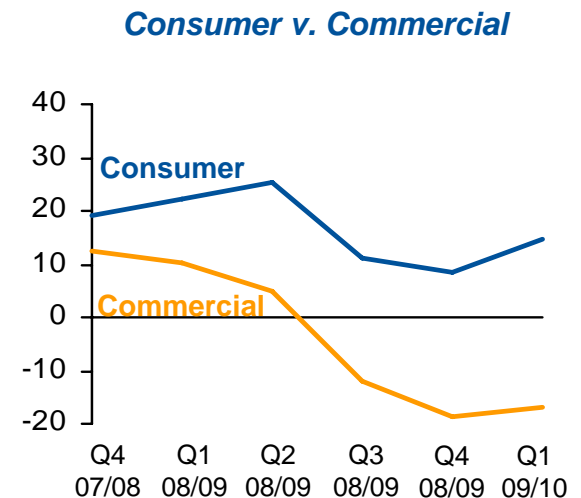
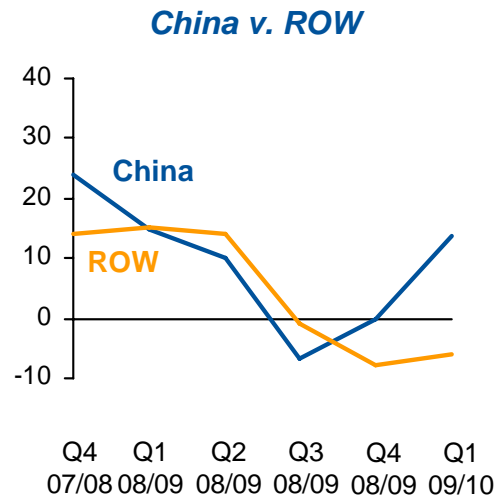
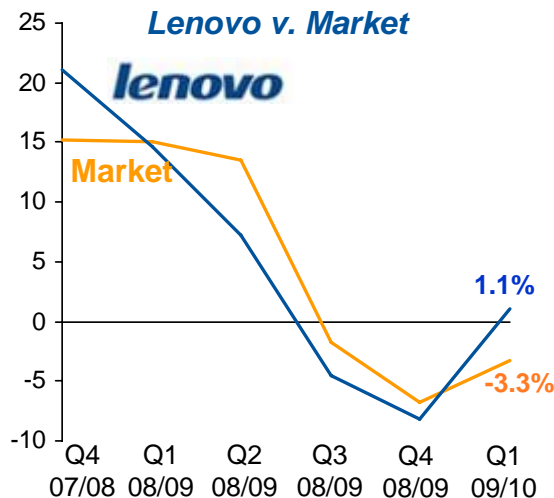
Yang Yuanqing

Chief Executive Officer

Global Economy Remains Volatile

- China growing faster than rest of the world
- Worldwide Commercial demand remains weak, especially in US & Western Europe
- Industry continues to move to lower price points

PC Shipment YTY Growth (%)



Source: Industry and internal estimates

Delivering on Our Commitments

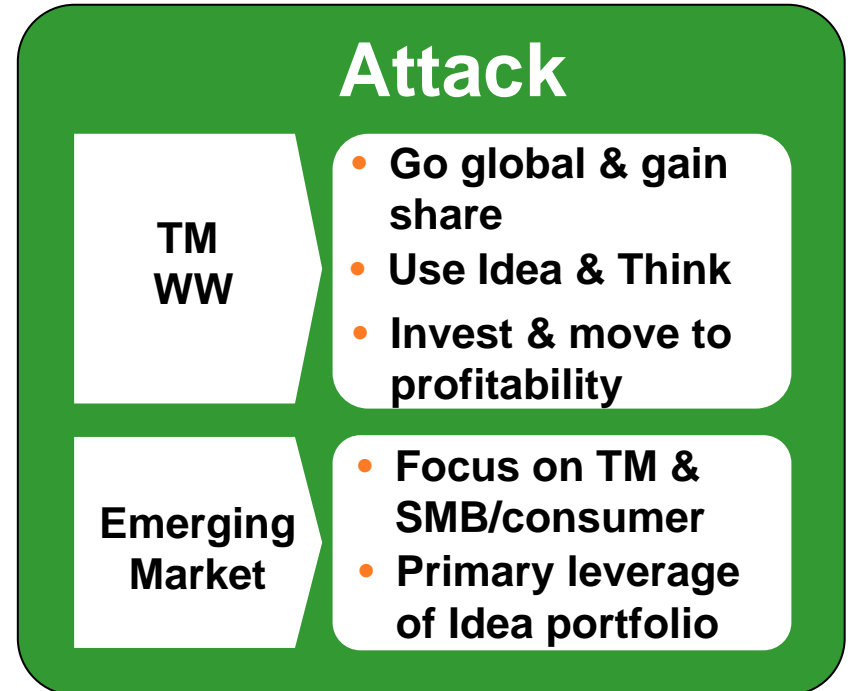
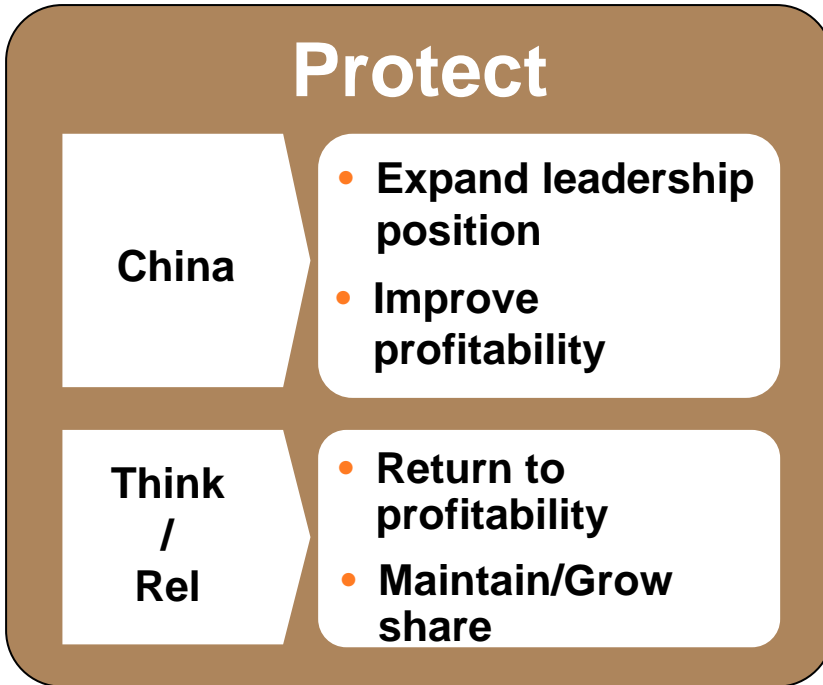
Actions

- Announced restructuring to cut US\$300m in cost/expense
- Aggressively managing expenses
- Leverage Lean Cost Structure in China
- Execute tightly integrated end-to-end business model

Results

- On track to realize restructuring savings in 2009/10
- Reached expense cutting goals
- Best E/R and cost-per-box since acquiring IBM PCD
- Gained worldwide market share

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

- Increased market share
- Capture key growth opportunities and extend leadership
 - Extending to Tier 5 and 6 cities
 - PCs to the Countryside
 - 3G adoption, focus on new 3G mobile community

China Share up 0.3 points YTY

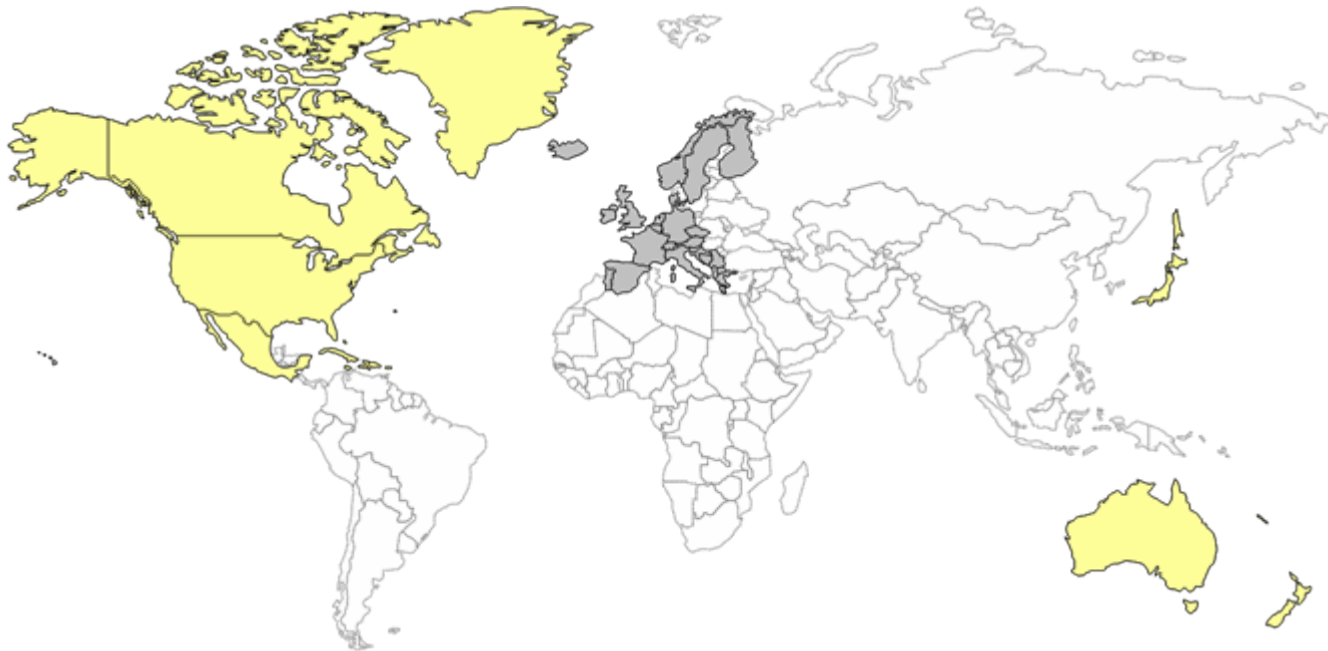


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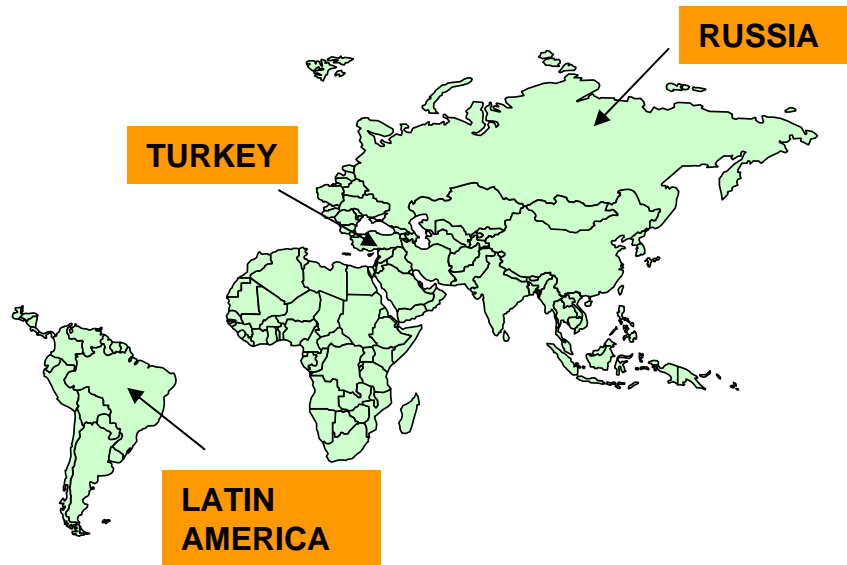
Protect Commercial; Restore Mature Market Profitability

- Signs of improved performance in Mature Markets
- Focus on improving profitability in Western Europe
- Continue to win key global and large enterprise accounts



Attack: Emerging Markets

- Gained market share, improved profitability
- Progress in markets around world: Russia, Turkey, Latin America
- Focus on improving our India business
- Leverage Think & Idea product portfolio, lean cost structure, and successful business model



Attack: Transactional Model

- Transactional model drove Idea product share growth in all regions
- Launched global marketing campaigns; nearly doubled campaign goal
- Strengthening channels relationship
- Identified ways to further improve speed in marketplace

Lenovo® recommends Windows Vista® Home Premium.

Y650 Notebook

Intel® Centrino® Inside®
Look for Intel Inside®

IT COMES LOADED WITH FEATURES. AND YET, TAKES THE LOAD OFF YOUR SHOULDERS.

THE LENOVO IDEAPAD Y650 NOTEBOOK—SMALL ON THE OUTSIDE, BIG ON THE INSIDE.
The Lenovo IdeaPad™ Y650 notebook is the world's thinnest and lightest 15" laptop. It comes with heavy-duty entertainment features like High-Resolution 16:10 Equations™ 1510M™ GPU graphics and Dolby® Home Theater™ surround sound. In addition, there's also the Lenovo Desktop Navigator, Creative® Rescue System, Ambient Light Sensor and WebProtect™ facial recognition technology. With the Creative® Theater button, the Y650 can instantly transform itself into a Home Theater system by automatically optimizing advanced audio and video settings at the press of a button.

DESIGNED AT THE CUTTING EDGE

- The world's thinnest and lightest 15" notebook*
- Thinner and lighter than most 15" notebooks*
- More advanced features and assembly techniques

A TRUE MULTIMEDIA NOTEBOOK

- Intel® Core™ 2 processor technology
- Creative® WebCamera™ Home Cinema
- Creative® Theater attached audio-visual settings—automatically configures advanced video and audio settings at the press of a button
- 15" High-Resolution LED backlight display, 16:10 format
- 8MB 2-in-1 card reader
- Dolby® Home Theater™
- Label graphics technology and EDR3 memory
- HDMI connector
- eSATA port for high-speed external storage

INTUITIVE USER ENHANCEMENTS

- Lenovo Desktop Navigator™ touch-sensitive bar on the keyboard allows you to navigate desktop shortcuts
- Ambient Light Sensor for automatic screen brightness
- Creative® Rescue System for easy data and system recovery, along with pre-installed virus checking
- WebProtect™ facial recognition technology—use your face to login to your PC, favorite websites and secure files

ideapad.y650

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Lenovo® recommends Windows Vista® Business.

Intel® CORE™ Inside®
Look for Intel Inside®

Is the wrong equipment holding your business back?

GET THE EDGE WITH LENOVO THINKPAD LAPTOPS, THE ULTIMATE BUSINESS MACHINES THAT FIT EVERY BUDGET.

A ThinkPad is for those who mean serious business. It comes with built-in technologies that give you an advanced user experience, while saving you time and money. The ThinkPad has the advanced engineering, elegant functionality and sleek design that protects valuable data, recovers lost files and minimizes accidental loss. Nothing else comes close.

LENOVO THINKPAD T600	LENOVO THINKPAD X200	LENOVO IDEAPAD Y650
<ul style="list-style-type: none"> • Intel® Core™ 2 processor technology • 15.5" High-Resolution LED backlight display, 16:10 format • 8MB 2-in-1 card reader • Dolby® Home Theater™ • Label graphics technology and EDR3 memory • HDMI connector • eSATA port for high-speed external storage 	<ul style="list-style-type: none"> • Intel® Core™ 2 processor technology • 15.5" High-Resolution LED backlight display, 16:10 format • 8MB 2-in-1 card reader • Dolby® Home Theater™ • Label graphics technology and EDR3 memory • HDMI connector • eSATA port for high-speed external storage 	<ul style="list-style-type: none"> • Intel® Core™ 2 processor technology • 15" High-Resolution LED backlight display, 16:10 format • 8MB 2-in-1 card reader • Dolby® Home Theater™ • Label graphics technology and EDR3 memory • HDMI connector • eSATA port for high-speed external storage
STARTS AT \$1,300	STARTS AT \$1,099	STARTS AT \$429
866.306.4339	www.lenovo.com/think	

lenovo. ThinkPad

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Expanded Innovative Product Portfolio

- Industry-leading products continue to win awards
- Lenovo's innovation continues to be efficient and customer-driven



“ThinkPads have a well-earned reputation for rugged construction and great keyboards, and the T400s does not disappoint on either score. I have the sense that an elephant could dance on the lid without causing damage.”

BusinessWeek

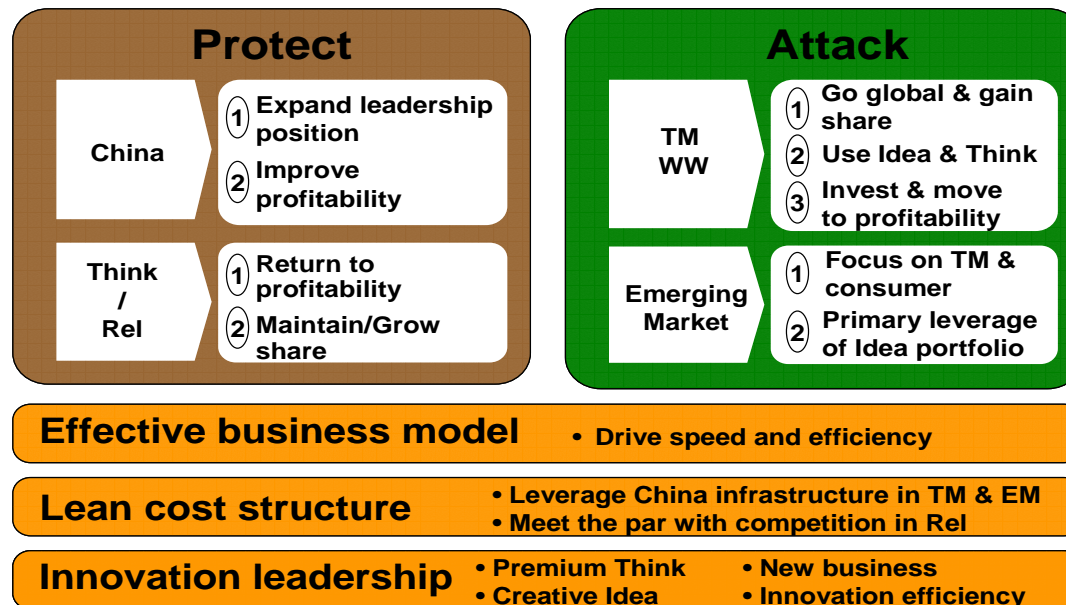


Lenovo A600: Best All-in-One
PC World



Priorities for Extending our Progress

- Extend our China leadership
- Improve performance, profitability in Mature Markets
- Maximize Transactional Model rollout worldwide
- Seize opportunities for growth in Emerging Markets
- Maintain our diligent focus on expenses, driving Lean Cost Structure



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Liu Chuanzhi

Chairman of the Board

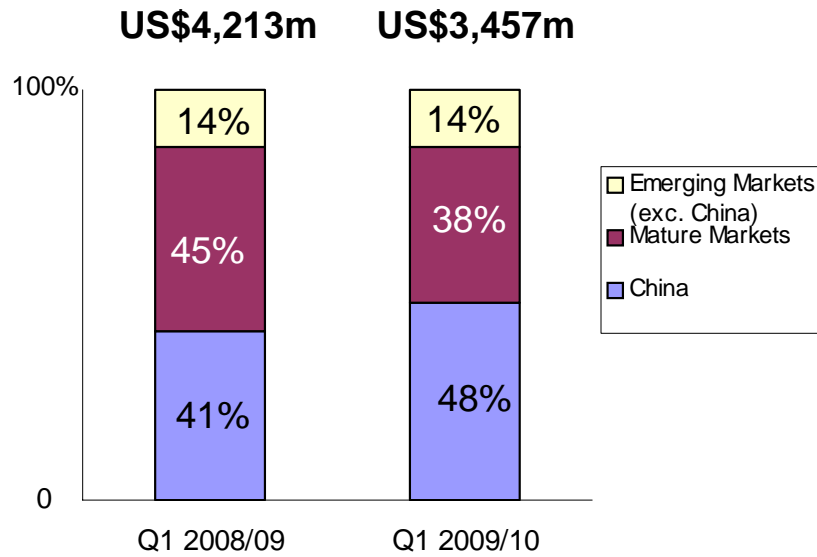
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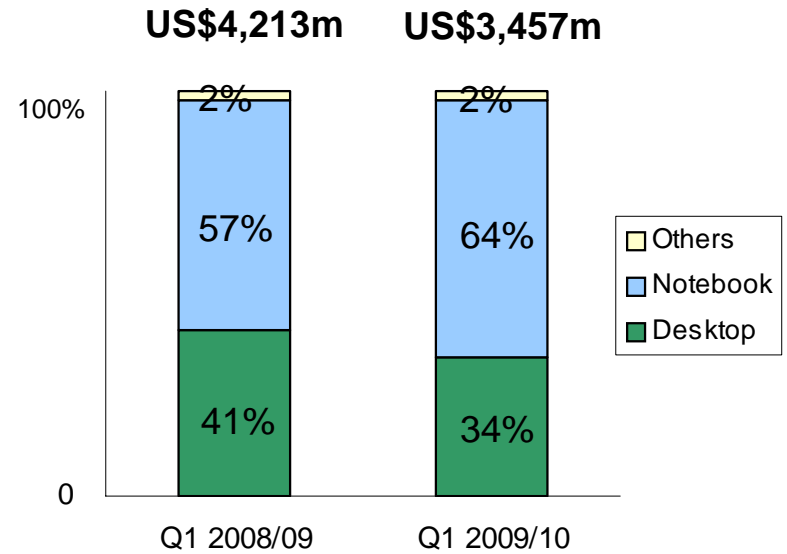
Appendix

- Sales Breakdown
- FY2009/10 Q1 Consolidated Income Statement
- FY2008/09 Consolidated Income Statement
- FY2008/09 Geography Summary
- Condensed Consolidated Cash Flow Statement

Sales Breakdown



Balanced geographic mix



Higher notebook mix

FY2009/10 Q1 Consolidated Income Statement

US\$ Million	Q1 2009/10	Q1 2008/09
Sales	3,457	4,213
Cost of sales	(3,077)	(3,612)
Gross profit	380	601
Other income, net	2	1
Selling and distribution expenses	(189)	(250)
Administrative expenses	(139)	(174)
Research and development expenses	(49)	(54)
Other operating income/(expense) - net	9	9
Operating profit	13	133
Finance income	3	20
Finance costs	(19)	(15)
Share of losses of associated companies	-	(1)
(Loss)/profit before taxation	(2)	137
Taxation	(14)	(27)
(Loss)/profit attributable to:		
Equity holders of the company	(16)	110
Earnings per share (US cents)		
- Basic	(0.18 US cents)	1.25 US cents
- Diluted	(0.18 US cents)	1.15 US cents

FY2008/09 Consolidated Income Statement

FY2008/09 (US\$ Million)	Q1	Q2	Q3	Q4	FY
Sales	4,213	4,326	3,591	2,771	14,901
Gross Profit*	601	569	365	299	1,834
Operating Expenses*	(469)	(509)	(457)	(375)	(1,810)
Other Income, net	1	(0)	0	-	1
Operating Profit/(Loss)*	133	59	(92)	(76)	25
Other Non-Operating Income/(Expenses)	4	4	1	(5)	4
Pre-tax Income/(Loss)*	137	63	(90)	(81)	28
Restructuring Cost	-	(24)	(6)	(116)	(146)
One-off items	-	-	-	(70)	(70)
Pre-tax Income/(Loss)	137	39	(96)	(268)	(188)
Taxation	(26)	(16)	(1)	4	(38)
Profit/(Loss) attributable to equity holders	110	23	(97)	(264)	(226)
EPS (US cents)					
- Basic	1.25	0.27	(1.09)	(2.98)	(2.56)
- Diluted	1.15	0.25	(1.09)	(2.98)	(2.56)
* Exclude restructuring and one-off items					
Gross margin	14.3%	13.1%	10.2%	10.8%	12.3%
E/R ratio*	11.1%	11.8%	12.7%	13.5%	12.2%
Operating margin*	3.2%	1.4%	-2.5%	-2.7%	0.2%
PTI margin*	3.2%	1.5%	-2.5%	-2.9%	0.2%
Net margin	2.6%	0.5%	-2.7%	-9.5%	-1.5%



Note: Certain reclassifications made to conform to current period's presentation

FY2008/09 Geography Summary – New Organizational Structure

(Excluding restructuring charges & one-off items)

FY2008/09	Sales US\$mn				Segment Operating Profit US\$mn				Segment Operating Profit Margin			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
China	1,661	1,823	1,568	1,172	114	106	101	57	6.8%	5.8%	6.4%	4.9%
Emerging Markets (Ex. China)	645	757	561	389	22	(9)	(54)	(67)	3.4%	-1.2%	-9.6%	-17.3%
Mature Markets	1,906	1,746	1,462	1,210	19	(9)	(110)	(37)	1.0%	-0.5%	-7.5%	-3.0%

Notes:

Emerging Markets (Excluding China) include: Africa, Asia Pacific, Central/Eastern Europe, Hong Kong, India, Korea, Latin America, Mexico, Middle East, Pakistan, Russia, Taiwan, and Turkey.

Mature Markets include: Australia/New Zealand, Canada, Israel, Japan, United States, Western Europe, and global accounts.

Condensed Consolidated Cash Flow Statement

US\$ Million	2009/10 Q1	2008/09 Q1
Net cash generated from operating activities	237	182
Net cash used in investing activities	(211)	(285)
Net cash used in financing activities	(0)	(107)
Increase/(decrease) in cash and cash equivalents	26	(210)
Effect of foreign exchange rate changes	10	28
Cash and cash equivalents at the beginning of the period	1,863	1,651
Cash and cash equivalents at the end of the period	1,899	1,469

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

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