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Lenovo Group Limited

2009/10 Interim Results

November 5, 2009

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Wong Wai Ming

Chief Financial Officer

Lenovo Q2 FY2009/10 Results Highlights

- Gained market share for two consecutive quarters
 - PC unit shipments growth at 17% YTY*
 - Record high WW market share of 8.9%*
 - Delivered growth in China, Emerging Markets & Transaction Business
- Returned to profit in Q2
 - Strong performance in China
 - Improvement in key Mature Markets
- Achieved historic low E/R ratio
 - Good expense management
 - Scaling with increased volume

* Industry estimates

Financial Summary

US\$ Million	Q2 FY2009/10	Q2 FY2008/09	Y/Y	Q/Q	Interim FY2009/10	Y/Y
Sales	4,099	4,326	(227)	642	7,556	(983)
Gross Profit	433	569	(136)	53	814	(356)
Operating Expenses*	(390)	(510)	120	(24)	(757)	222
Operating Profit*	43	59	(16)	29	57	(134)
Other Non-Operating (Expenses)/Income	(13)	4	(17)	2	(29)	(37)
Pre-tax Income*	30	63	(33)	31	28	(171)
Restructuring Cost	(3)	(24)	21	(0)	(5)	19
Other income, net	38	(0)	38	36	40	39
Pre-tax Income	65	39	26	67	63	(113)
Taxation	(12)	(16)	4	2	(26)	16
Profit attributable to Equity Holders	53	23	30	69	37	(97)
EPS (US cents)						
- Basic	0.59	0.27	0.32	0.77	0.42	(1.09)
- Diluted	0.55	0.25	0.30	0.73	0.39	(0.99)
Dividend per Share (HK cents)	NA	NA	NA	NA	1.00	(2.00)

	Q2 2009/10	Q2 2008/09	Q1 2009/10
Gross margin	10.6%	13.1%	11.0%
E/R ratio*	9.5%	11.8%	10.6%
Operating margin*	1.1%	1.4%	0.5%
PTI margin*	0.7%	1.5%	0.0%
Net margin	1.3%	0.5%	-0.5%

lenovo * Exclude restructuring costs & other income, net

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Condensed Balance Sheet

US\$ Million	As at Sep 30, 2009	As at Mar 31, 2009
Non-current assets	2,492	2,521
Property, plant and equipment	276	314
Intangible assets	1,872	1,853
Others	344	354
Current assets	5,785	4,101
Bank deposits and cash	2,383	1,863
Account receivables	2,670	1,738
Inventories	672	450
Others	60	50
Current liabilities	5,919	4,420
Short-term bank loans	34	20
Account payables	5,536	3,848
Current portion of non-current liabilities	248	437
Others	101	115
Net current liabilities	(134)	(319)
Non-current liabilities	939	891
Total equity	1,419	1,311

Cash and Working Capital

US\$ Million	<u>Q2 2009/10</u>	<u>Q2 2008/09</u>	<u>Q1 2009/10</u>
Bank Deposits and Cash	2,383	1,985	2,103
Total Bank Borrowings	<u>599</u>	<u>516</u>	<u>685</u>
Net Cash Reserves	1,784	1,469	1,418
Days Inventory	14	15	15
Days Receivable	21	30	22
Days Payable	65	68	71
Cash Conversion Cycle	-30 days	-23 days	-34 days

Geography Summary

- **China**
 - Shipments up 28% YTY; Market share gained slightly to 29.4%
 - Strengthened leadership position
 - Focus on stable growth in profitability
- **Emerging Markets (Excluding China)**
 - Shipments up 10% YTY
 - Improved product portfolio and good channel network expansion
 - Gained share in Latin America, Central and Eastern Europe, Russia and Turkey
- **Mature Markets**
 - Shipments up 0.4% YTY
 - Consistent performance in North America and turned around in Western Europe
 - On track to return to profitability

(Exclude restructuring costs)	Sales US\$mn			Segment Operating Profit/(Loss) US\$mn			Segment Operating Profit Margin		
	Q2 10	Y/Y	Q/Q	Q2 10	Q2 09	Q1 10	Q2 10	Q2 09	Q1 10
China	1,993	9.3%	19.3%	95	106	105	4.8%	5.8%	6.3%
Emerging Markets (Excluding China)	618	-18.4%	30.5%	(20)	(8)	(32)	-3.2%	-1.1%	-6.8%
Mature Markets	1,488	-14.8%	13.3%	(15)	(9)	(37)	-1.0%	-0.5%	-2.9%

Product Performance

- **Notebook**

- Shipments up 37% YTY
- Sales down 1% YTY, 63% of total sales
- Continued market shift to lower price points
- Launched multi-touch products and SimpleTap application



ThinkPad X200 Tablet PC

- **Desktop**

- Shipments down 2% YTY
- Sales down 13% YTY, 35% of total sales
- Improved end-to-end cost competitiveness and platform costs
- Refreshed SMB products line-up
- Leverage resources to address entry price points in Mature Markets



IdeaPad C100 All-in-One

Outlook

- Enterprise customers are still conservative about PC spending
- Ongoing shift of product mix toward entry-level PCs
- Supply issue in certain key components will continue
- Continue solid execution to drive consistent improvement

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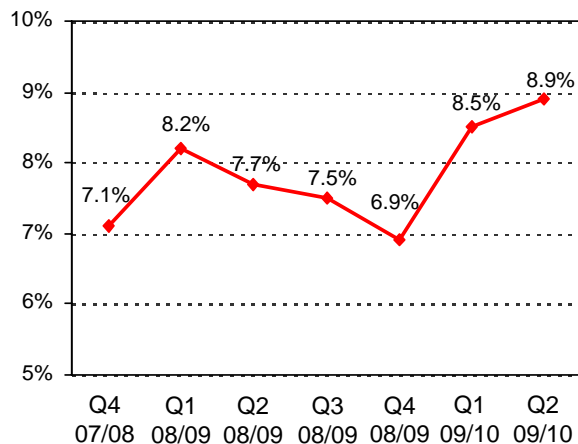
Yang Yuanqing

Chief Executive Officer

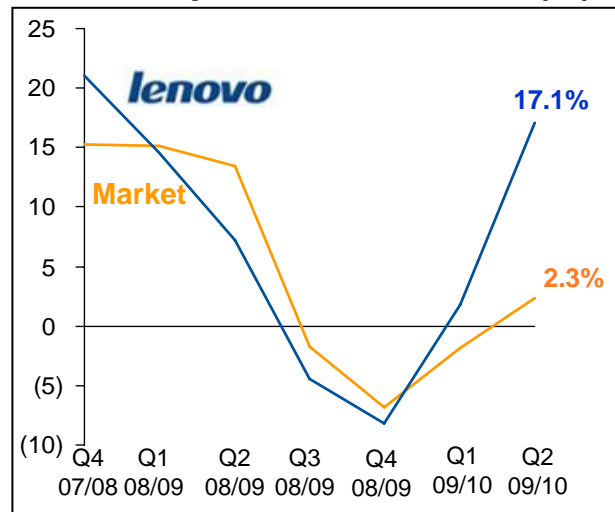
Worldwide Market Share Reached Historic High

- China, other Emerging markets and Transactional Sales drove growth
 - China market continued strong momentum, unit sales up 28% YTY
 - Emerging Markets outside of China substantially outgrew the market
 - Transactional sales volume increased

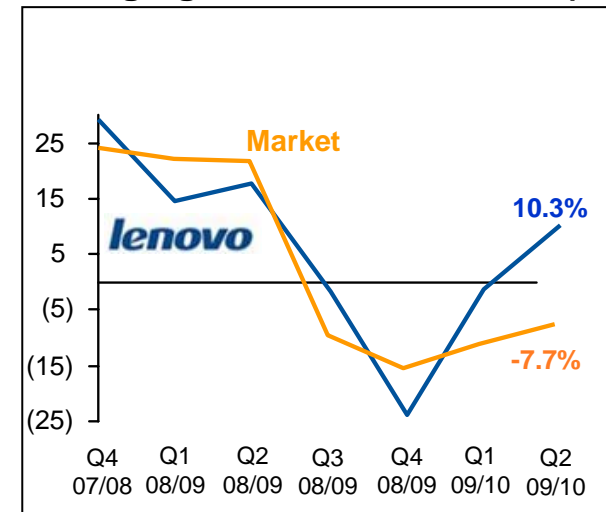
Lenovo WW Market Share



PC Shipment YTY Growth (%)



Emerging Market YTY Growth (%)

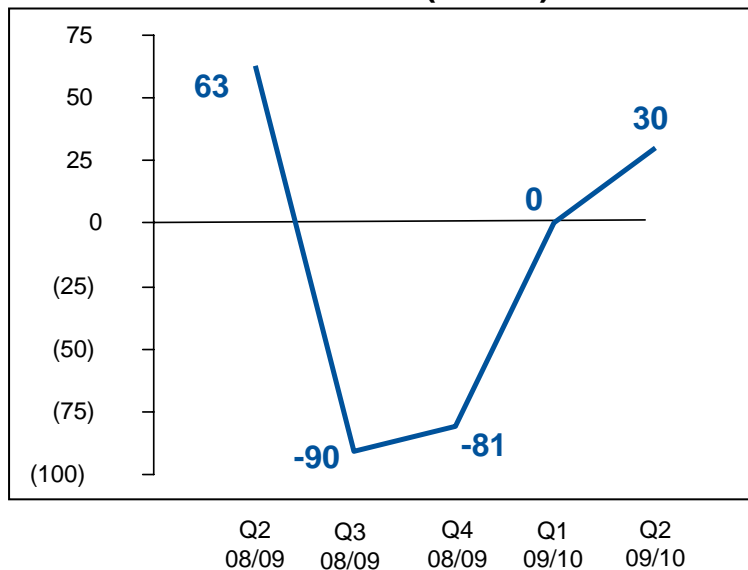


Source: IDC

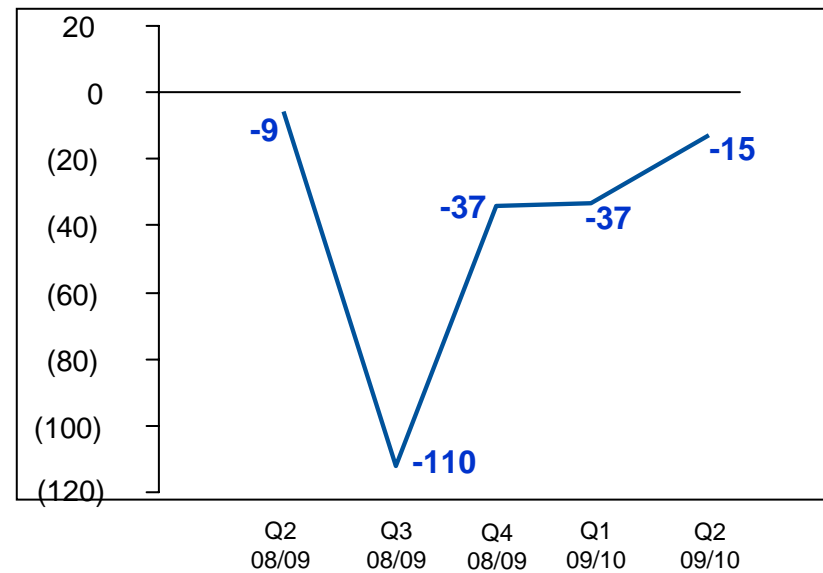
Turnaround Performance, Return to Profitability

- Company returns to profitability
 - China market leadership: Remains a key strength
 - Mature Markets: Turn around on track
 - Western Europe, North America improved performance
 - Focus on margin control showed improvement

Lenovo PTI (US\$M)

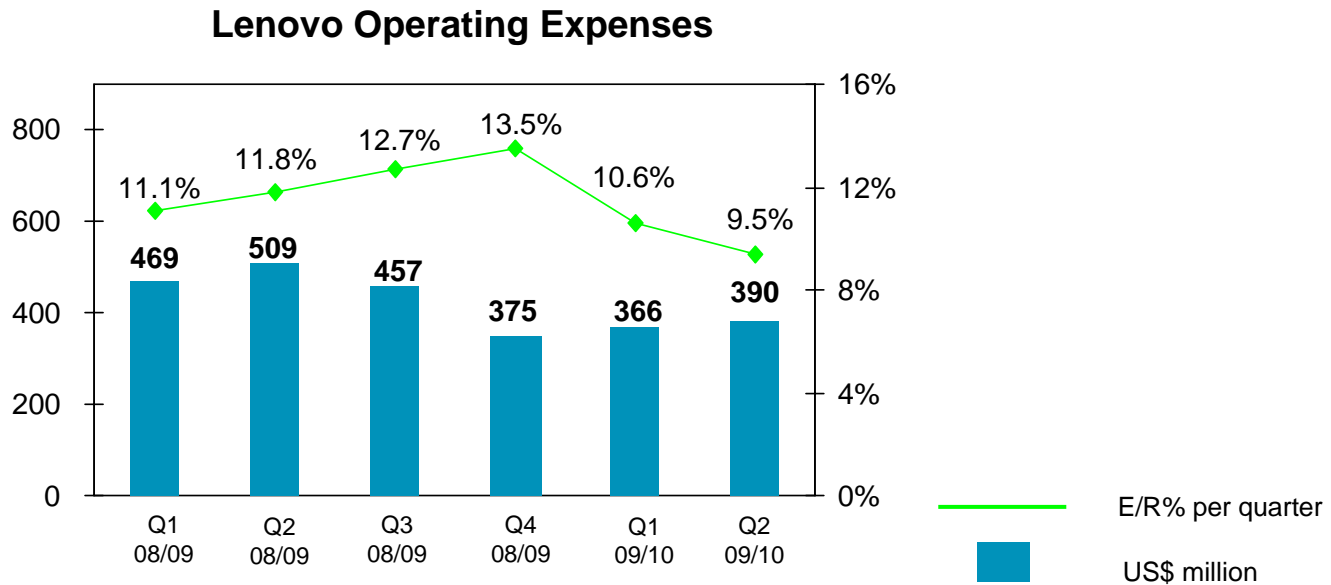


Lenovo Mature Markets Segment Operating Profit (US\$M)

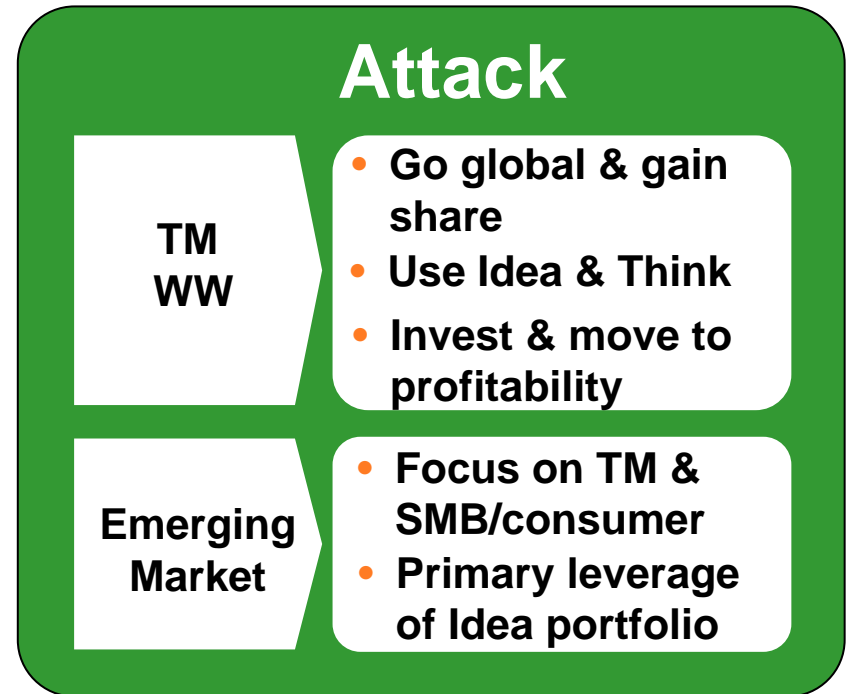
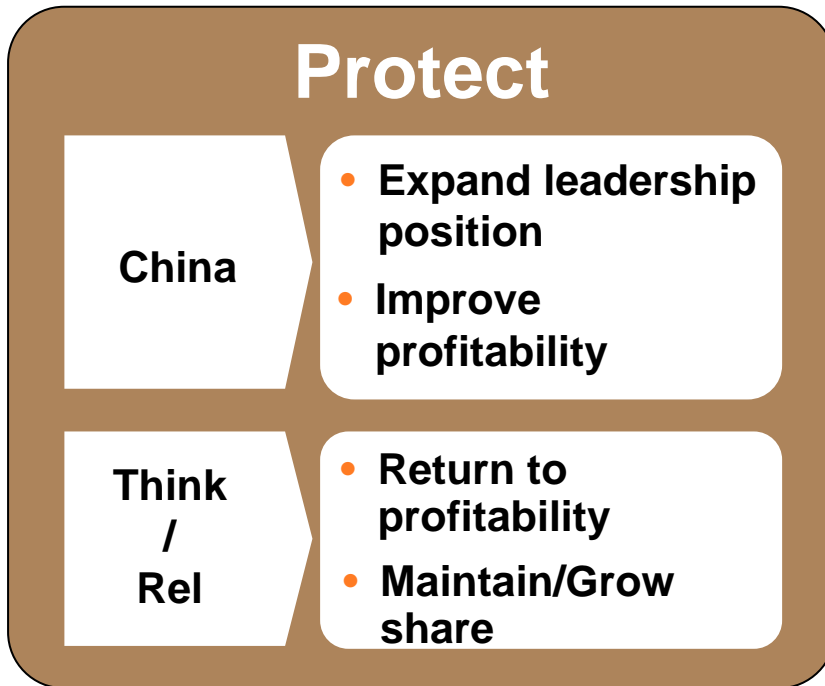


Lean Cost Structure Taking Hold

- E/R of 9.5%, best since merger
 - US\$300 million restructuring savings plan on-track
 - Effectively scaled growth: sales grew much faster than expenses
 - Lowest cost-per-box since merger, down 14% QTTQ



Success Came from Executing on Strategic Priorities



Effective business model

- Drive speed and efficiency

Lean cost structure

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

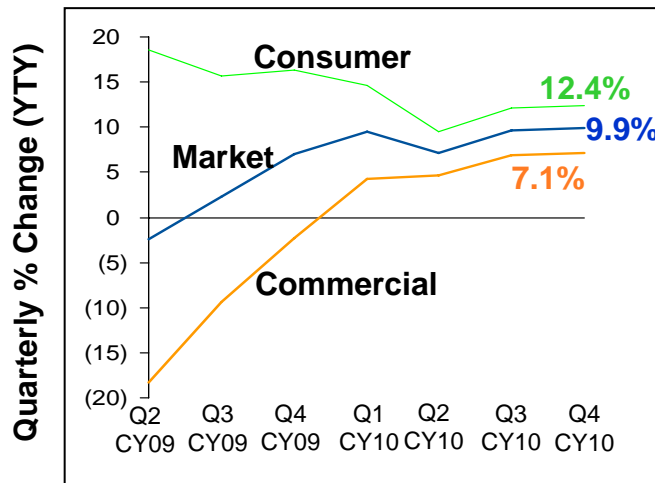
Innovation leadership

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

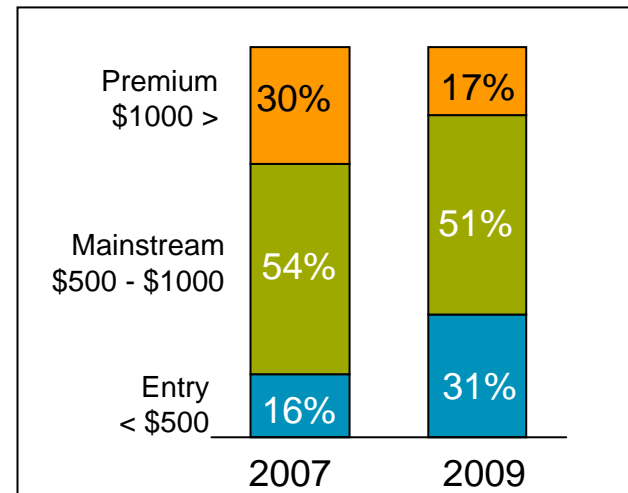
Challenges and Outlook

- Global economy uncertain; corporate replacement remains delayed
- Component cost continues to rise
- Products continue shift to lower price points

WW PC Growth Forecast



PC Market Price Band Mix



Source: IDC

Focus on Execution, Driving Improvement

- Extend our China leadership, focus on sustainable profitability
- Improve Mature Markets performance, stability and profitability
- Seize opportunities for growth in Emerging Markets, Transactional
- Maintain focus on expense control, drive Lean Cost Structure
- Invest in innovation, improve product competitiveness



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Liu Chuanzhi

Chairman of the Board

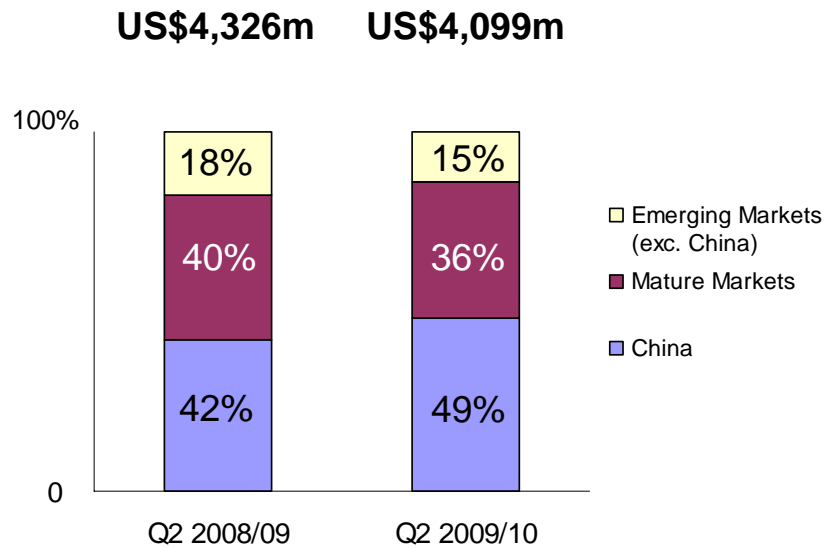
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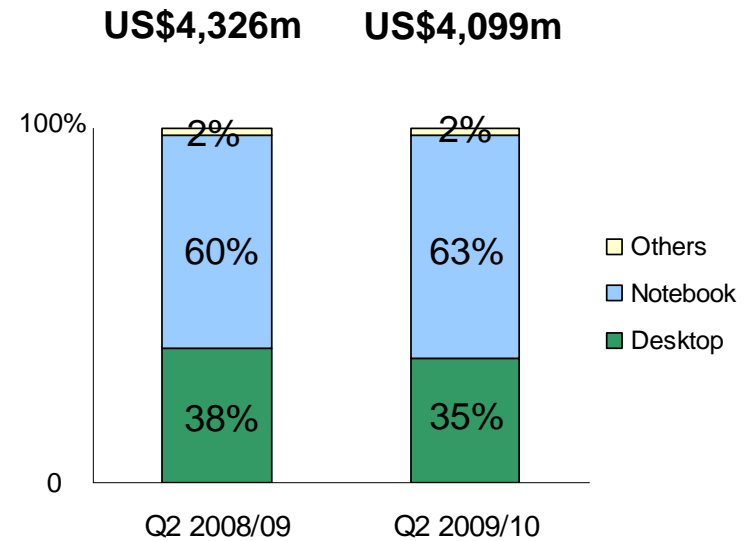
Appendix

- Sales Breakdown
- Consolidated Income Statement
- Condensed Cash Flow Statement

Sales Breakdown



Balanced geographic mix



Higher notebook mix

Consolidated Income Statement

US\$ Million	Q2 2009/10	YTD 2009/10	Q2 2008/09	YTD 2008/09
Sales	4,099	7,557	4,326	8,539
Cost of sales	(3,666)	(6,743)	(3,757)	(7,369)
Gross profit	433	814	569	1,169
Other income, net	38	39	(0)	1
Selling and distribution expenses	(212)	(401)	(271)	(521)
Administrative expenses	(137)	(276)	(158)	(332)
Research and development expenses	(54)	(103)	(47)	(101)
Other operating income/(expense) - net	10	19	(58)	(48)
Operating profit	78	92	35	168
Finance income	4	7	19	38
Finance costs	(17)	(36)	(15)	(30)
Share of losses of associated companies	0	0	(0)	(0)
Profit before taxation	65	63	39	176
Taxation	(12)	(26)	(16)	(42)
Profit attributable to:				
Equity holders of the company	53	37	23	134
Dividend		12		36
Earnings per share (US cents)				
- Basic	0.59 US cents	0.42 US cents	0.27 US cents	1.51 US cents
- Diluted	0.55 US cents	0.39 US cents	0.25 US cents	1.38 US cents

Condensed Cash Flow Statement

US\$ Million	2009/10 Q2	2008/09 Q2
Net cash generated from / (used in) operating activities	324	(118)
Net cash (used in) / generated from investing activities	(82)	112
Net cash used in financing activities	(85)	(146)
Increase/(decrease) in cash and cash equivalents	157	(152)
Effect of foreign exchange rate changes	6	(5)
Cash and cash equivalents at the beginning of the period	1,899	1,469
Cash and cash equivalents at the end of the period	2,062	1,312

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

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