



Lenovo Group Limited

2009/10 Q3 Results

February 3, 2010 – San Francisco/
February 4, 2010 – Hong Kong



Wong Wai Ming

Chief Financial Officer

Lenovo Q3 FY2009/10 Results Highlights

- **Record high market share for three consecutive quarters**
 - PC unit shipment growth of 42% YTY*
 - Record high WW market share of 9.0%*
 - Delivered growth in all geos driven by Consumer and Transaction business
- **Returned to profit for two consecutive quarters**
 - Strong performance in China with improved margins
 - Profitability improvement in both Mature and Emerging Markets
- **Achieved historic low E/R ratio at 9.0%**
 - Good expense management
 - Scaling with increased volume

* Industry estimates

Financial Summary

US\$ Million	Q3 FY2009/10	Q3 FY2008/09	Y/Y	Q/Q	YTD FY2009/10	Y/Y
Sales	4,784	3,591	1,193	685	12,341	211
Gross Profit	531	365	166	98	1,344	(191)
Operating Expenses*	(431)	(457)	26	(41)	(1,188)	247
Operating Profit/(Loss)*	99	(92)	191	56	156	56
Other Non-Operating Income	(6)	1	(7)	7	(35)	(44)
Pre-tax Income/(Loss)*	93	(90)	183	63	121	12
One-off items	(43)	(6)	(37)	(40)	(48)	(19)
Other income, net	43	0	43	5	83	82
Pre-tax Income/(Loss)	94	(96)	190	29	156	76
Taxation	(14)	(1)	(13)	(2)	(40)	3
Profit/(Loss) attributable to Equity Holders	80	(97)	177	27	116	79
EPS (US cents)						
- Basic	0.86	(1.09)	1.95	0.27	1.29	0.87
- Diluted	0.79	(1.09)	1.88	0.24	1.21	0.82

	Q3 2009/10	Q3 2008/09	Q2 2009/10
Gross margin	11.1%	10.2%	10.6%
E/R ratio*	9.0%	12.7%	9.5%
Operating margin*	2.1%	-2.6%	1.1%
PTI margin*	2.0%	-2.5%	0.7%
Net margin	1.7%	-2.7%	1.3%

Condensed Balance Sheet

US\$ Million	As at Dec 31, 2009	As at Mar 31, 2009
Non-current assets	2,476	2,521
Property, plant and equipment	258	314
Intangible assets	1,884	1,853
Others	334	354
Current assets	6,855	4,101
Bank deposits and cash	3,016	1,863
Account receivables	3,053	1,738
Inventories	736	450
Others	50	50
Current liabilities	6,838	4,420
Short-term bank loans	32	20
Account payables	6,462	3,848
Current portion of non-current liabilities	248	437
Others	96	115
Net current assets/(liabilities)	17	(319)
Non-current liabilities	990	891
Total equity	1,503	1,311

Cash and Working Capital

US\$ Million	<u>Q3 2009/10</u>	<u>Q3 2008/09</u>	<u>Q2 2009/10</u>
Bank deposits and cash	3,016	1,819	2,383
Total Bank Borrowings	<u>597</u>	<u>519</u>	<u>599</u>
Net Cash Reserves	2,419	1,300	1,784
Days Inventory	15	17	14
Days Receivable	24	35	21
Days Payable	71	74	65
Cash Conversion Cycle	-32 days	-22 days	-30 days

Geography Summary

- **China**
 - Shipments up 54% YTY; Market share gained 2.8 points to 33.5%
 - Robust growth of the China market driven by Consumer Notebook
 - Expand leadership position
- **Emerging Markets (Excluding China)**
 - Shipments up 52% YTY; Market share gained 1.2 points to 5.5%
 - Gained share in almost across the region, including Russia, India, EMAT*, ASEAN
- **Mature Markets**
 - Shipments up 16% YTY; Market share gained 0.2 points to 4.2%
 - Profitability on track to turnaround helped by currency impact
 - Expansion in transaction model established strong foundation and scaling impacts

(Exclude one-off items)	Sales US\$mn			Segment Operating Profit/(Loss) US\$mn			Segment Operating Profit Margin		
	Q3 10	Y/Y	Q/Q	Q3 10	Q3 09	Q2 10	Q3 10	Q3 09	Q2 10
China	2,273	44.9%	14.0%	135	101	95	6.0%	6.4%	4.8%
Emerging Markets (Excluding China)	857	52.7%	38.8%	(6)	(54)	(20)	-0.7%	-9.6%	-3.2%
Mature Markets	1,654	13.1%	11.1%	(7)	(110)	(15)	-0.4%	-7.5%	-1.0%

Product Performance

- **Notebook**

- Shipments up 68% YTY
- Sales up 46% YTY, 62% of total sales
- Benefited from its expanded consumer product line-up
- Launched industry's first multitouch capacitive tablet netbook S10-3t



IdeaPad S10-3t

- **Desktop**

- Shipments up 18% YTY
- Sales up 17% YTY, 36% of total sales
- Boosted by the strong consumer products



ThinkCentre A70z All-in-One

Outlook

- Commercial demand for PC is gradually improving
- Expansion in the consumer and emerging markets delivered good momentum
- Supply issue in certain key components constrain margin improvement
- Market outlook continued to improve, but typical Q4 low season & higher E/R ratio
- Progress in Q3 demonstrated the strength of our strategic priorities
- Continue solid execution to drive consistent improvement

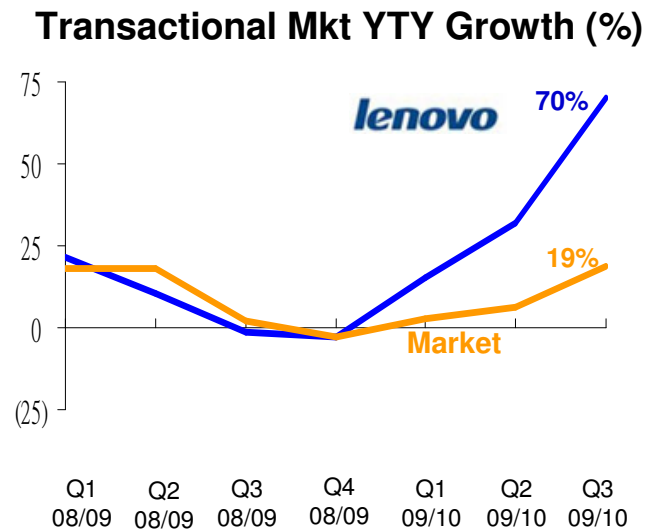
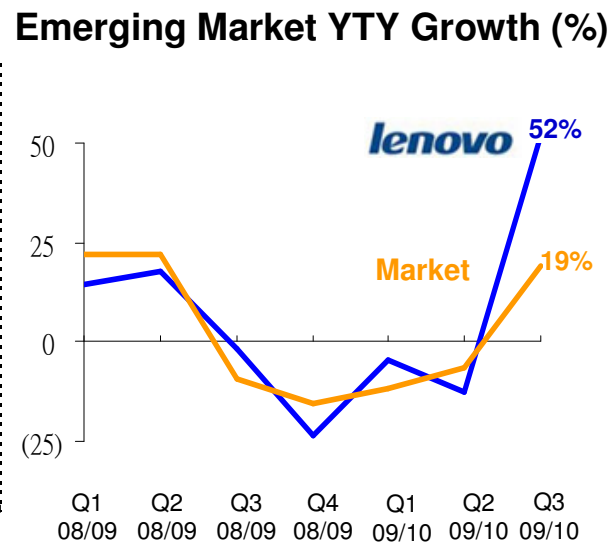
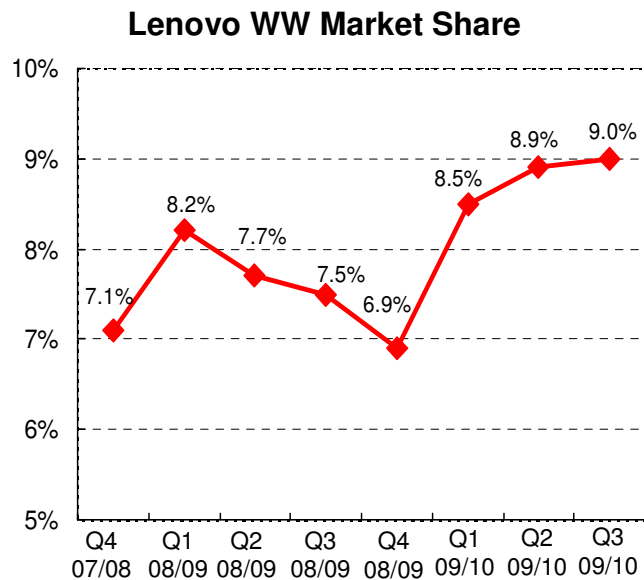


Yang Yuanqing

Chief Executive Officer

Worldwide Market Share Again Reached Historic High

- Lenovo became the world's fastest growing PC manufacturer
 - China: Expanded leadership to highest-ever market share
 - Emerging Markets outside of China substantially outgrew the market
 - Mature Markets gained 0.2 pts market share
 - Transactional sales: Gained 1.6 pts market share



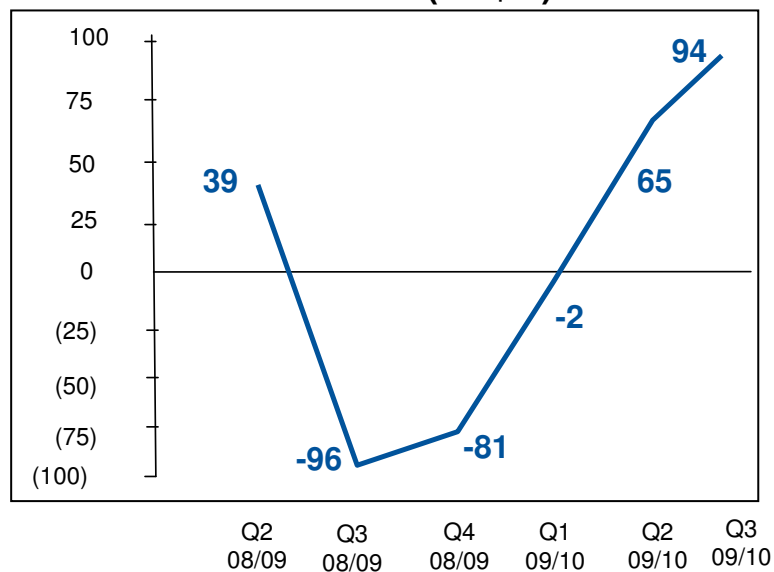
Source: Industry and internal estimates



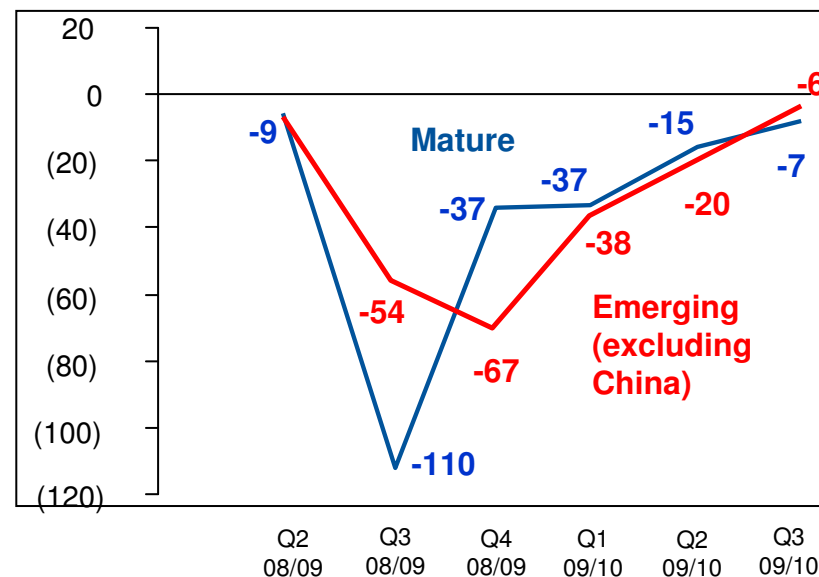
Profitability Increased Worldwide

- Company increased PTI to \$94 million USD
 - China market leadership: Increased profitability 42% quarter-to-quarter
 - Emerging Markets (excluding China): Improved profitability \$14 million USD
 - Mature Markets: Improved profitability \$8 million USD, near break even

Lenovo PTI (US\$M)



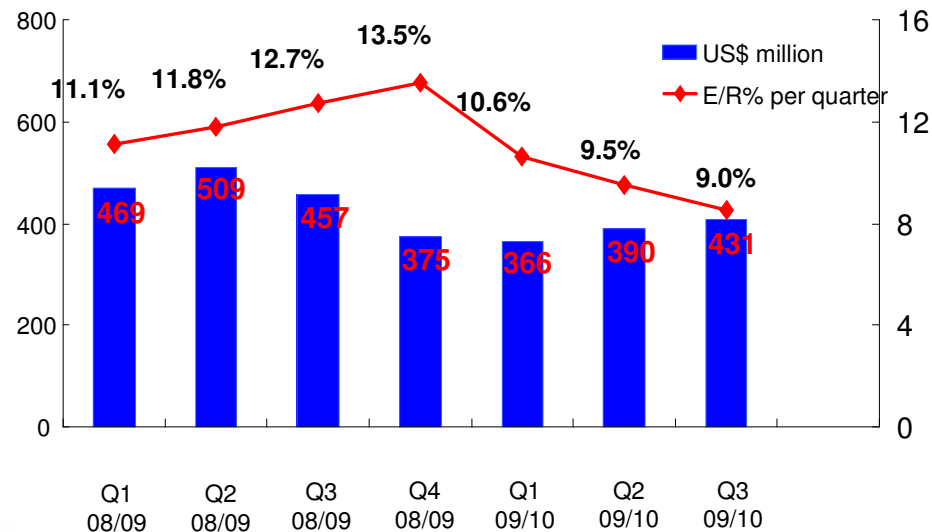
Lenovo Mature and Emerging Markets Segment Operating Profit (US\$M)



Lean Cost Structure Delivered Record Efficiency

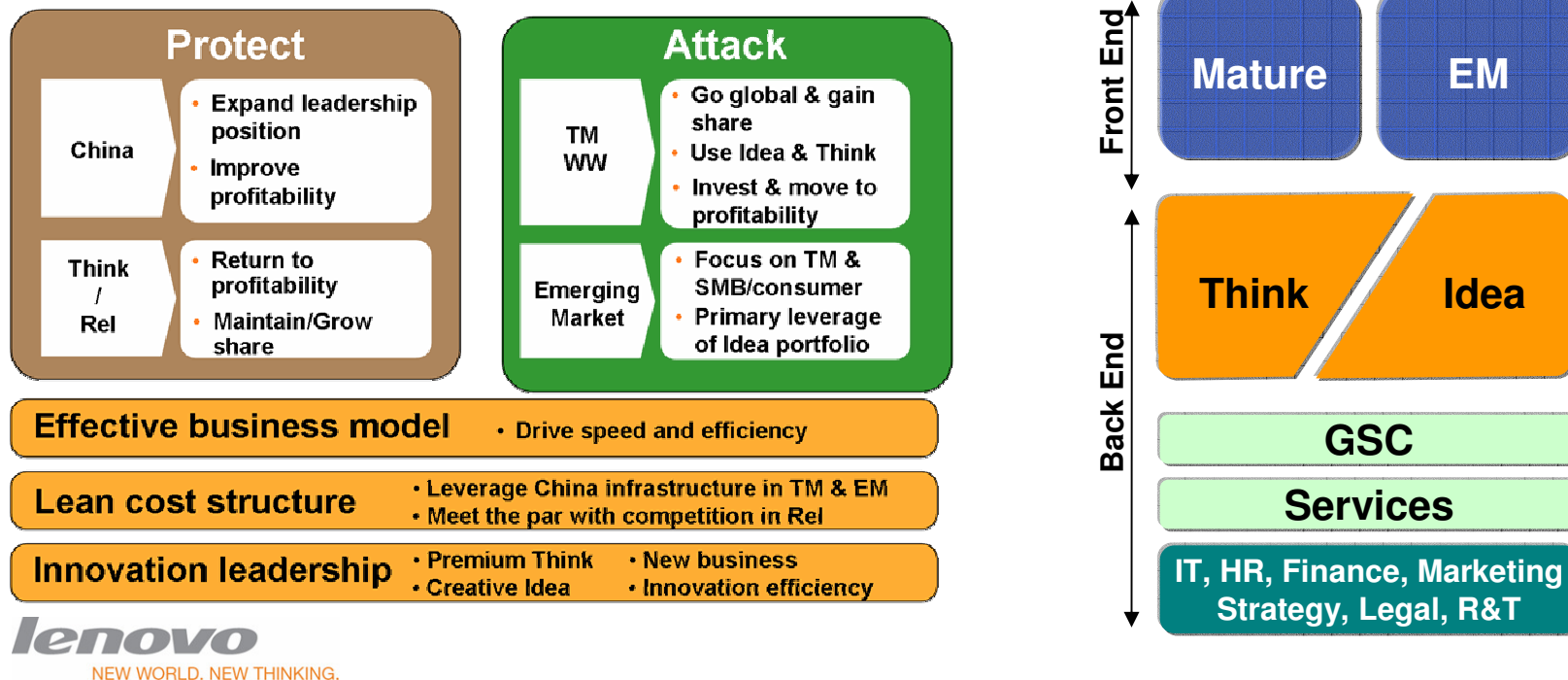
- E/R of 9.0%, best since merger for third straight quarter
 - Effectively scaled growth with expenses
 - Expenses declined \$26 million USD YTY
 - Revenue increased 33%, YTY
 - Lowest cost-per-box since merger, down 4.5% QTTQ, new all-time low

Lenovo Operating Expenses



Success Came from Right Strategy and Strong Execution

- Simple, clear Protect and Attack strategy enabled focus on execution
- New organizational structure improved efficiency and effectiveness
- Launched innovative, customer-oriented products that enhanced product portfolio and capability
- Culture of delivering on commitments taking hold



CES Demonstrated Innovation, Strategic Vision and Execution

- Lenovo believes that innovation matters, demonstrated value at CES
 - Introduced more than 20 new products
 - Won eight industry awards, most of any PC manufacturer
 - Generated more than 3,500 articles worldwide
- Demonstrates Lenovo's strategic vision and capability



- **CNET** Best Computer of CES 2010: U1
- **Wall Street Journal** Top Ten Gadgets of CES for the U1
- **Laptop Magazine** Best Notebook: U1
- **Laptop Magazine** Best Smartbook: Skylight
- **Popular Science** Best Products of the Future: U1
- **Computer Shopper**: Best Desktop: A300
- **Computer Shopper**: Best Mobile: Skylight
- **Computer Shopper**: Best Convergence Device: U1



"Lenovo may have beaten both (HP and Apple) to the nunch."



FINANCIAL TIMES

*"Lenovo has officially unveiled **the most impressive entrant** to date in the nascent smartbook category."*

lenovo

NEW WORLD. NEW THINKING.

The New York Times

*"Of all the heavyweights, Lenovo seemed to embrace this challenge the most ardently. **Apple advocates, in particular, had to look away** when Lenovo unfurled the IdeaCentre A300..."*

Capturing the Mobile Internet Opportunity

- See Mobile Internet as major growth opportunity
- Targeting this opportunity, Lenovo has defined our Mobile Internet Strategy
 - Dedicated to developing more advanced, complete line of devices
 - First wave of products: IdeaPad U1, 乐phone and Skylight
- Execute our Mobile Internet strategy, first in China
 - Strong brand, channel advantage helps Lenovo integrate with service providers and carriers
 - Acquisition of Lenovo Mobile strengthens end-to-end operational expertise

WORLD'S FIRST
HYBRID NOTEBOOK
U1



OUR FIRST
SMARTPHONE
乐phone



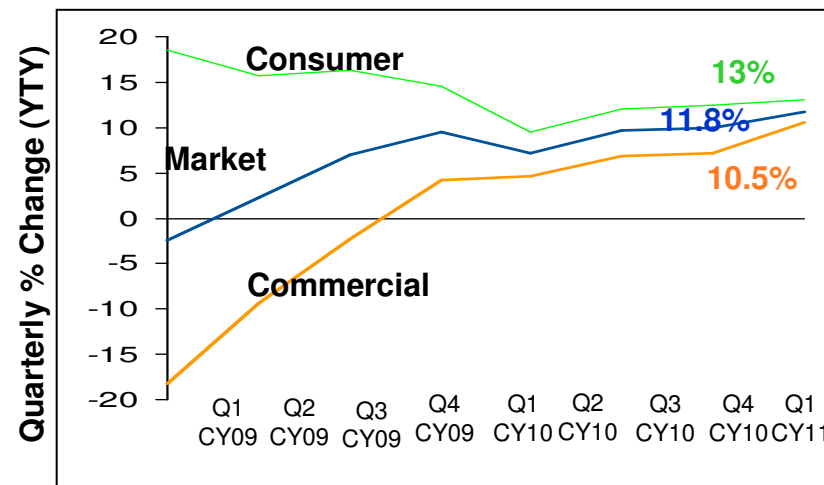
WORLD'S FIRST
ARM SMARTBOOK
Skylight



Outlook

- Good momentum and performance, yet challenges remain
 - Seasonality in Q4
 - Corporate replacement cycle expected to be delayed until 2H of 2010
 - Component costs, especially memory, remain challenging
 - Continue to invest in Emerging Markets, global consumer and Mobile Internet

WW PC Growth Forecast (IDC)



Focus on Execution, Efficiency and Seizing Opportunities

- Maintain our China leadership, improve profitability
- Improve profitability in Mature Markets
- Invest in and seize growth opportunities in Emerging Markets, global transactional business
- Execute our Mobile Internet strategy, first in China
- Drive Lean Cost Structure
- Differentiate through innovation and a leading product portfolio



Liu Chuanzhi

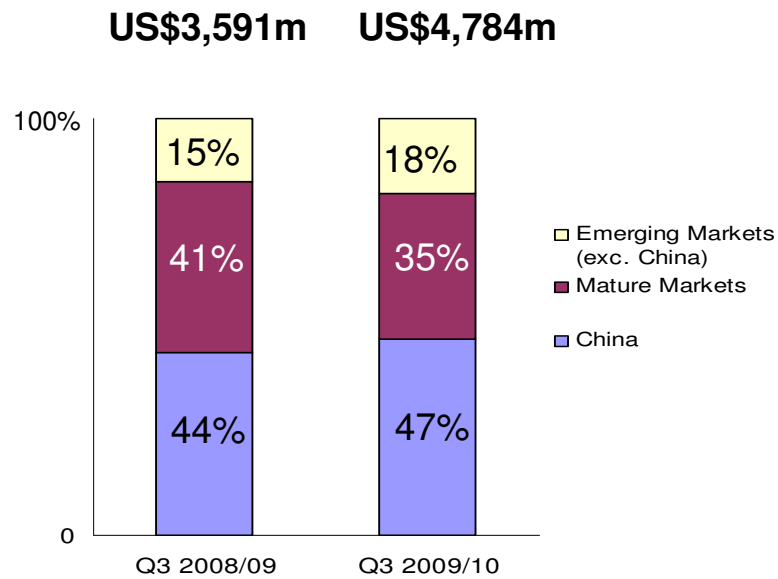
Chairman of the Board



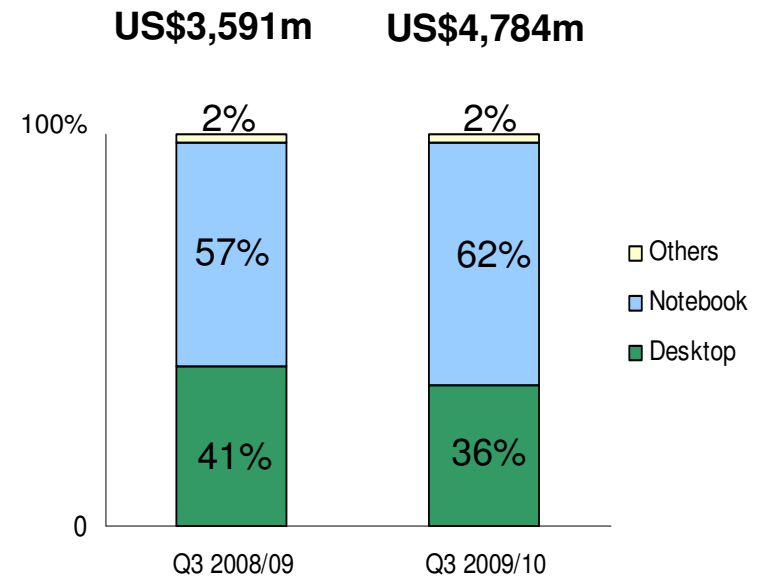
Appendix

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

Sales Breakdown



Balanced geographic mix



Higher notebook mix

Consolidated Income Statement

US\$ Million	Q3 2009/10	YTD 2009/10	Q3 2008/09	YTD 2008/09
Sales	4,784	12,341	3,591	12,130
Cost of sales	(4,253)	(10,996)	(3,226)	(10,595)
Gross profit	531	1,344	365	1,535
Other income, net	43	83	0	1
Selling and distribution expenses	(225)	(626)	(233)	(754)
Administrative expenses	(135)	(411)	(152)	(484)
Research and development expenses	(54)	(158)	(45)	(146)
Other operating (expense)/income - net	(60)	(41)	(32)	(80)
Operating profit/(loss)	99	191	(97)	71
Finance income	7	15	15	53
Finance costs	(13)	(50)	(14)	(45)
Share of gains of associated companies	0	0	0	0
Profit/(Loss) before taxation	94	156	(96)	80
Taxation	(14)	(40)	(1)	(43)
Profit/(Loss) attributable to:				
Equity holders of the company	80	116	(97)	37
Dividend	-	12	-	36
Earnings/(Loss) per share (US cents)				
- Basic	0.86	1.29	(1.09)	0.42
- Diluted	0.79	1.21	(1.09)	0.39

Condensed Cash Flow Statement

US\$ Million	2009/10 Q3	2008/09 Q3
Net cash generated from/(used in) operating activities	611	(70)
Net cash generated from investing activities	115	373
Net cash used in financing activities	(10)	(31)
Increase in cash and cash equivalents	716	272
Effect of foreign exchange rate changes	11	(25)
Cash and cash equivalents at the beginning of the period	2,062	1,312
Cash and cash equivalents at the end of the period	2,789	1,559

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

