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NEW WORLD. NEW THINKING.

# Lenovo Group Limited

**FY2010/11 Q3 Results**

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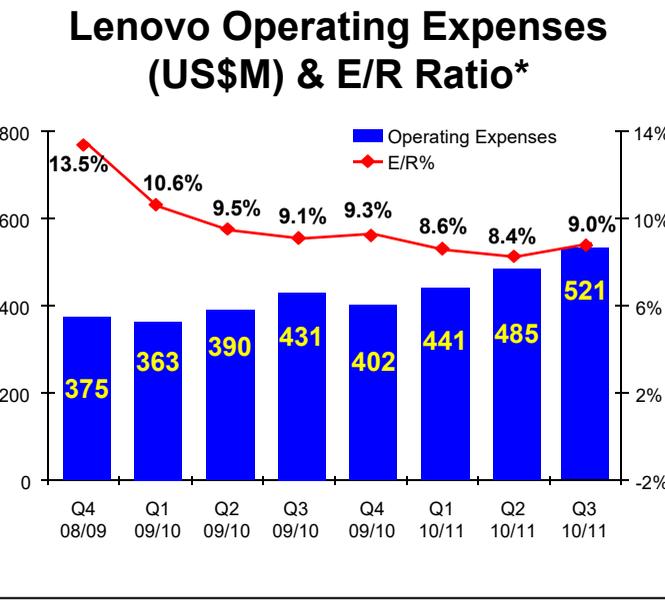
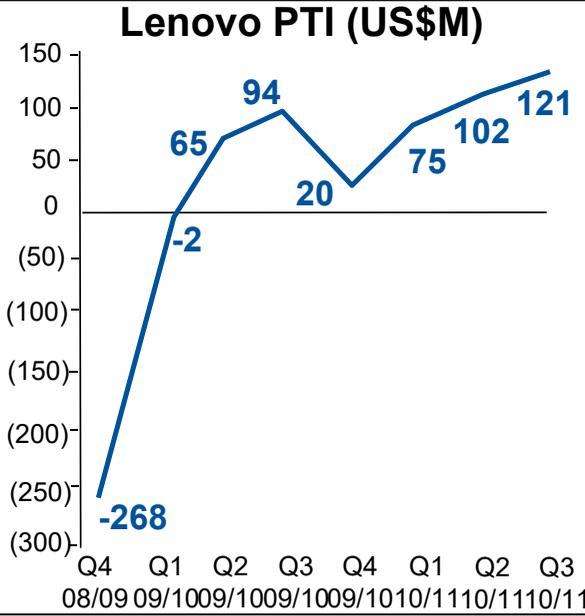
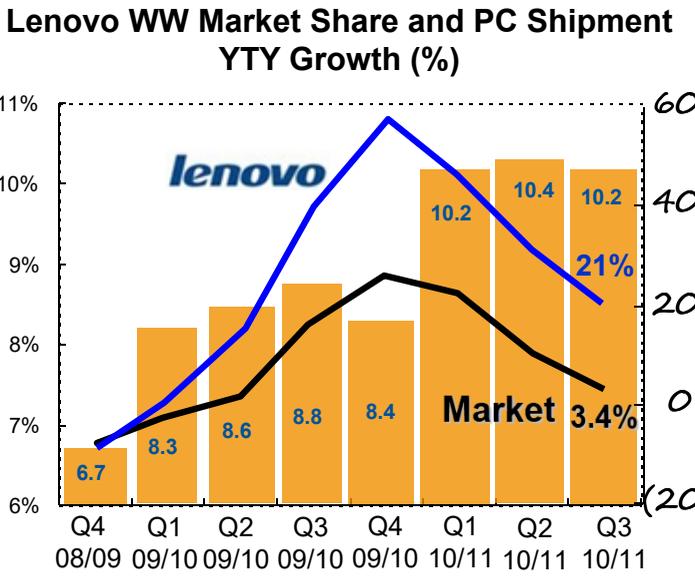
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**Yang Yuanqing**

**Chief Executive Officer**

# Fastest Growing PC Company for Fifth Straight Quarter

- Market share: 10.2%, up 1.5 points year-to-year
- Improved profitability:
  - Net Profit of \$100 million USD
  - PTI of \$121 million USD
  - Gross Margin of 11.2%
- E/R of 9.0%, up slightly QTQ due to increased long-term investments



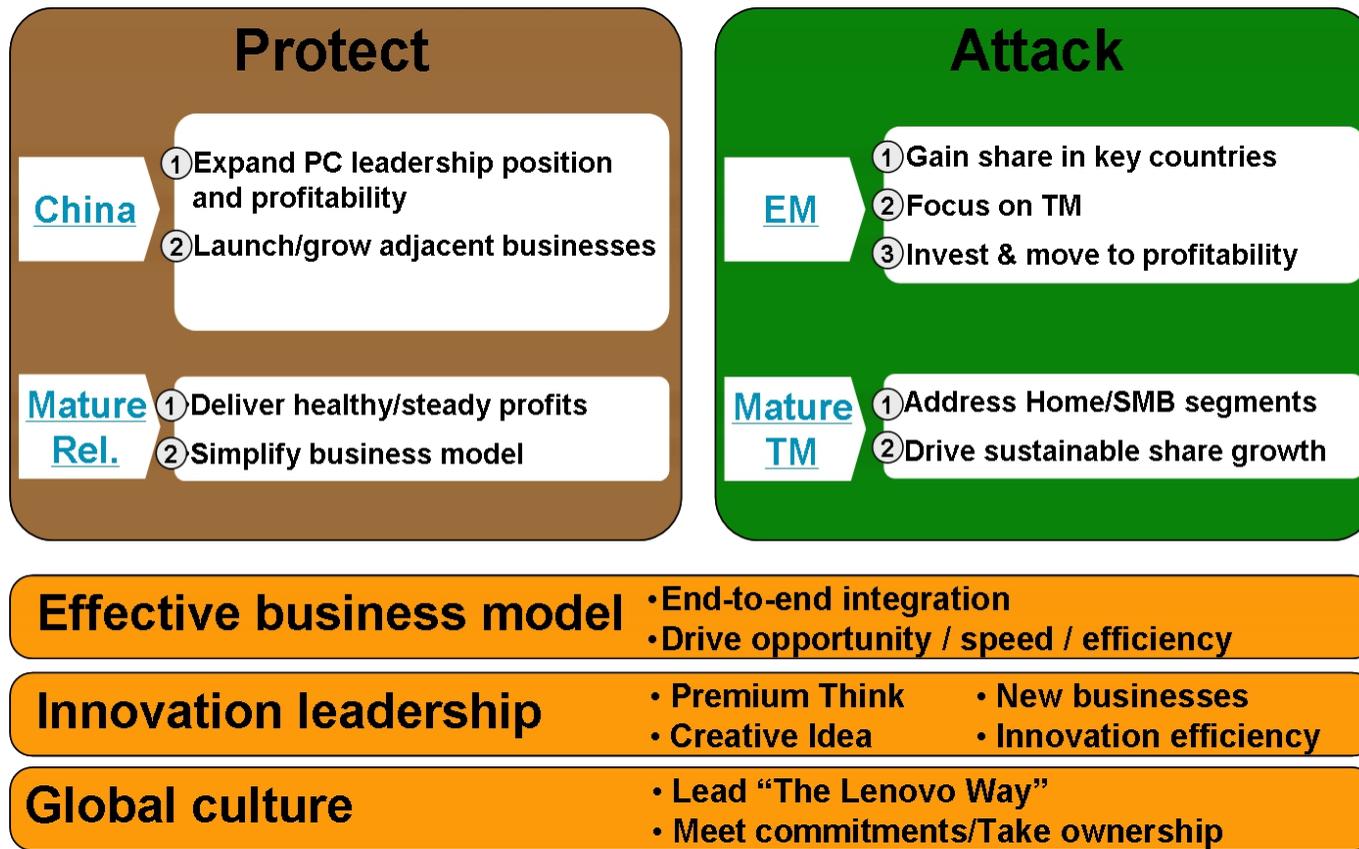
Source: IDC and Internal Data

\* Excludes one-off/restructuring items



# Effective Execution of Strategy Drove Balanced Growth

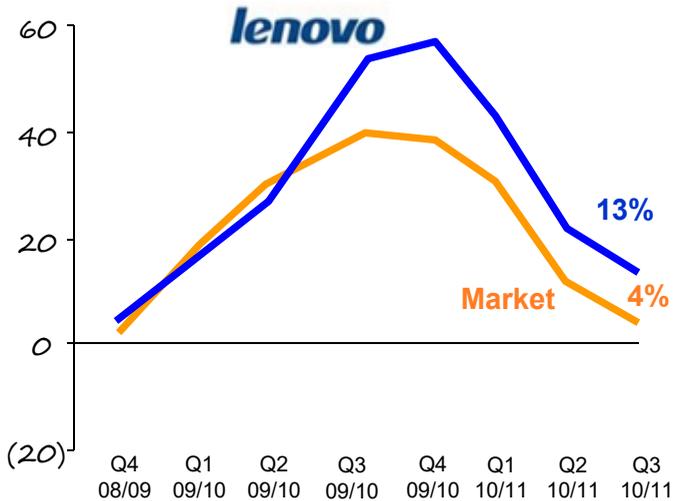
- Protect & Attack strategy provides the right focus, drives growth
  - Double-digit share in 15 countries this quarter
  - Gained share in all Geos, all product types and customer segments



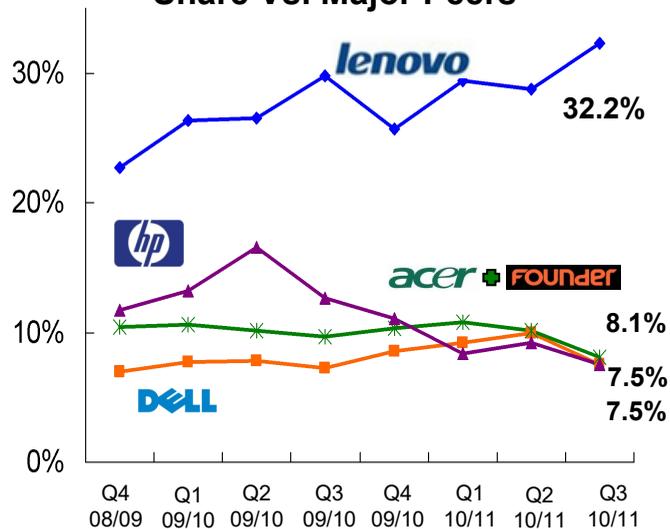
# Protect China Leadership

- All-time high record market share of 32.2% in China, up 2.4 points YTY
- Widened the gap with competitors
  - Strong growth small cities/rural, Large Enterprise business, and All-in-One desktop PCs
  - Grew 13% YTY, more than 3 times market rate
- Segment Operating Profit dropped YTY due to Mobile Internet investments

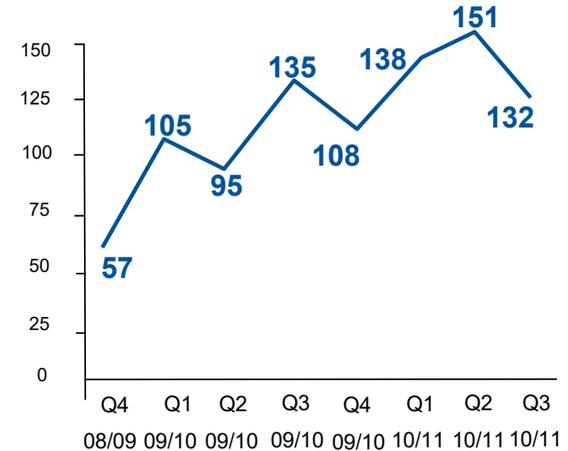
Lenovo China Shipment YTY Growth (%)



Lenovo China Market Share Vs. Major Peers

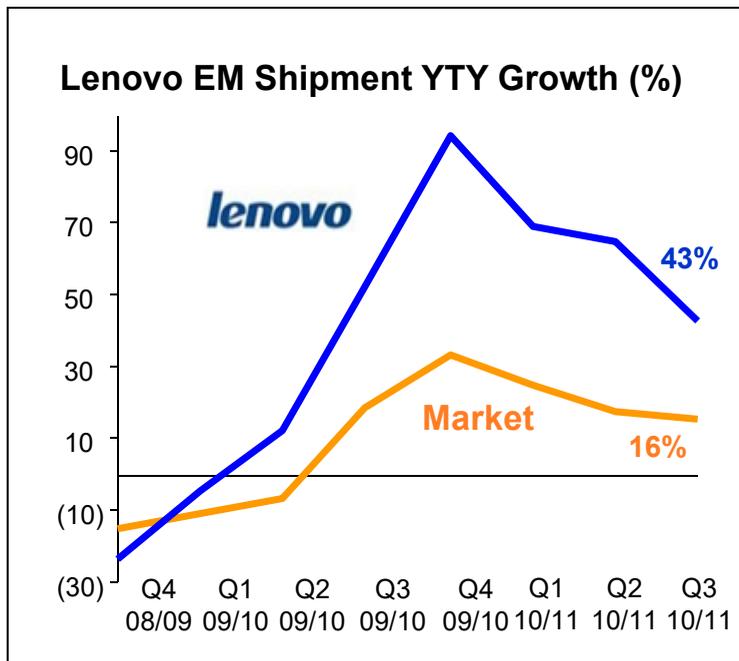


China Segment Operating Profit (US\$M)\*



# Attack Emerging Markets

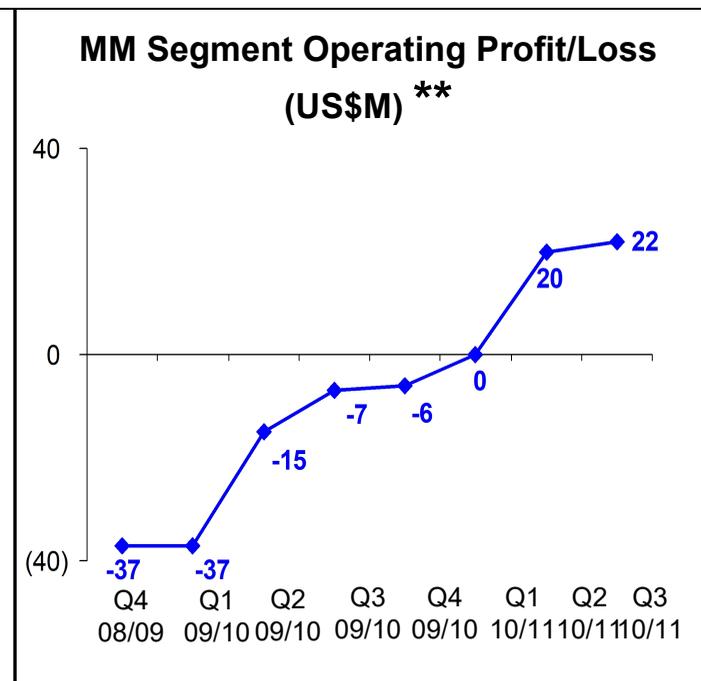
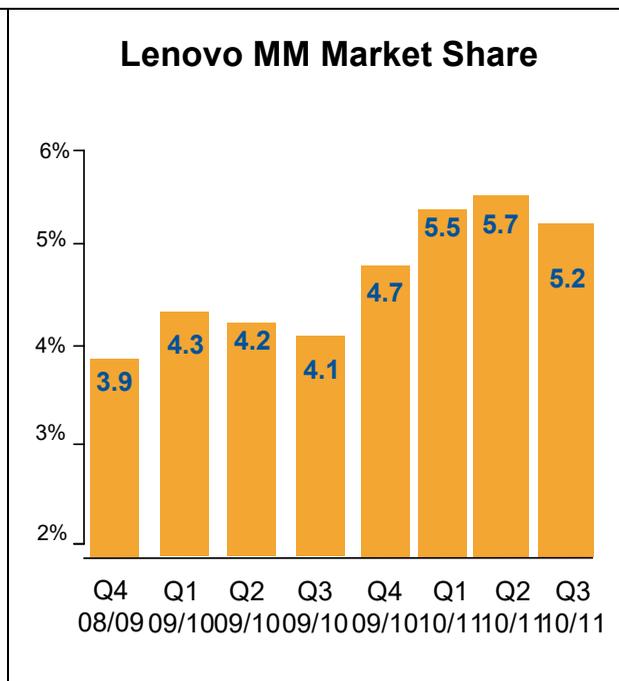
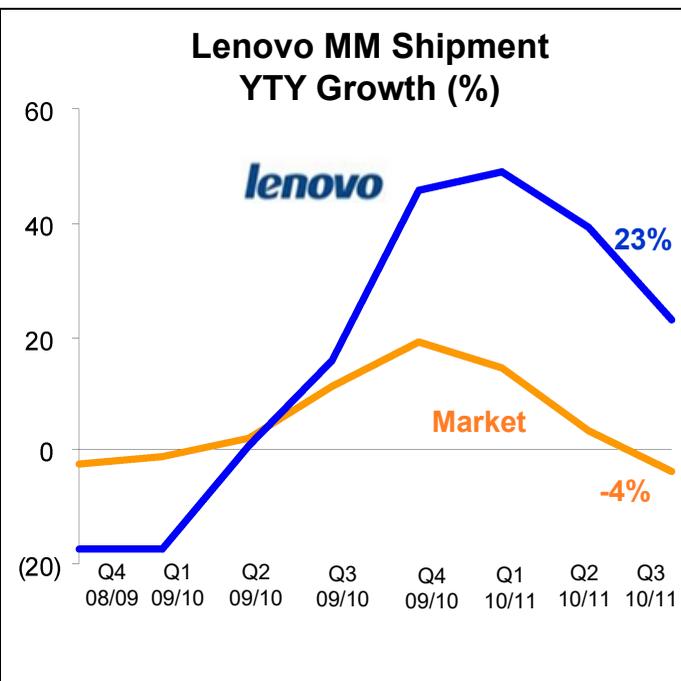
- Continued to grow faster than the market
  - Volume grew 43% YTY, when Market grew at 16%
  - India reached 10.3% market share, first time in double digits
  - Russia gained 3.3 points YTY; LA gained almost 1 point YTY



	Q3 Shares	Share Gains YTY (pts)
Overall EM	6.6%	+1.2
HTK	6.6%	+1.2
ASEAN	7.6%	+1.4
Russia	9.0%	+3.3
India	10.3%	+2.3
EET	7.8%	+0.7
MEA	4.3%	+0.7
LA/Brazil	4.8%	+0.6

# Mature Markets: Protect Relationship, Attack Transactional

- Profit generator: segment operating profit up \$29 million USD YTY
- Volume up 23% YTY, share up 1.1 points, strong growth in key segments/markets
  - Lenovo #1 in global Large Enterprise/Public Sector\* notebooks, with 21% share
  - #2 worldwide Commercial notebook market share
  - North America grew 29% YTY, when market dropped 4%
  - Fastest growing major PC company in Japan for 6 quarters, share up 2 points YTY



# NEC Joint Venture a Perfect Fit for our Strategy

- NEC strength in commercial and consumer markets
- Products sell at a premium in Japan
- Both Lenovo and NEC are deeply committed to innovation
- The partnership can benefit greatly from our cost synergies
- Lenovo has experience bringing organizations together



# Capturing the Mobile Internet Category

- Efforts have started to pay off: LePhone sales doubled QTQ, newest products got great reviews at CES
  - Ready with innovative products
  - Formed Mobile Internet Digital Home business group to attack opportunity
  - Will continue to invest in development and marketing



“Lenovo:  
Introducing a  
Giant”



# Outlook

- Confident in our future growth
  - Will continue to enhance our products, business model and culture
- Optimistic about the future
  - China: will continue fast growth in long-term
  - WW Relationship: Corporate demand will continue to be strong



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**Wong Wai Ming**

**Chief Financial Officer**

# Financial Summary

US\$ Million	Q3 FY2010/11	Q3 FY2009/10	Y/Y	Q/Q	YTD FY2010/11	Y/Y
Sales	<b>5,808</b>	4,760	1,048	48	<b>16,715</b>	4,428
Gross Profit	<b>648</b>	530	118	55	<b>1,764</b>	424
Operating Expenses*	<b>(521)</b>	(431)	(90)	(36)	<b>(1,447)</b>	(263)
Operating Profit*	<b>127</b>	99	28	19	<b>317</b>	161
Other Non-Operating Expenses	<b>(4)</b>	(5)	1	1	<b>(15)</b>	20
Pre-tax Income*	<b>123</b>	94	29	20	<b>302</b>	181
One-off items	<b>0</b>	(42)	42	0	<b>0</b>	42
Restructuring Cost	<b>(2)</b>	(1)	(1)	(1)	<b>(4)</b>	2
Other income, net	<b>0</b>	43	(43)	0	<b>0</b>	(83)
Pre-tax Income	<b>121</b>	94	27	19	<b>298</b>	142
Taxation	<b>(21)</b>	(14)	(7)	4	<b>(67)</b>	(27)
Profit attributable to Equity Holders	<b>100</b>	80	20	23	<b>231</b>	115
EPS (US cents)						
- Basic	<b>1.03</b>	0.86	0.17	0.22	<b>2.41</b>	1.12
- Diluted	<b>0.98</b>	0.79	0.19	0.22	<b>2.29</b>	1.08

	Q3 FY2010/11	Q3 FY2009/10	Q2 FY2010/11
Gross margin	<b>11.2%</b>	11.1%	10.3%
E/R ratio*	<b>9.0%</b>	9.1%	8.4%
Operating margin*	<b>2.2%</b>	2.1%	1.9%
PTI margin*	<b>2.1%</b>	2.0%	1.8%
Net margin	<b>1.7%</b>	1.7%	1.3%

\* Exclude restructuring costs, one-off items and other income, net

# Condensed Balance Sheet

US\$ Million	<u>As at Dec 31, 2010</u>	<u>As at Mar 31, 2010</u>
Non-current assets	<b>2,665</b>	2,720
Property, plant and equipment	<b>215</b>	248
Intangible assets	<b>2,048</b>	2,066
Others	<b>402</b>	406
Current assets	<b>8,540</b>	6,235
Bank deposits and cash	<b>3,428</b>	2,439
Trade, notes and other receivables	<b>4,240</b>	2,871
Inventories	<b>818</b>	879
Others	<b>54</b>	46
Current liabilities	<b>8,457</b>	6,419
Short-term bank loans	<b>45</b>	65
Trade, notes and other payables	<b>8,009</b>	5,822
Current portion of non-current liabilities	<b>278</b>	437
Others	<b>125</b>	95
Net current assets/(liabilities)	<b>83</b>	(184)
Non-current liabilities	<b>977</b>	931
Total equity	<b>1,771</b>	1,606

# Cash and Working Capital

<b>US\$ Million</b>	<b><u>Q3 FY2010/11</u></b>	<b><u>Q3 FY2009/10</u></b>	<b><u>Q2 FY2010/11</u></b>
Bank Deposits and Cash	<b>3,428</b>	3,016	2,696
Total Bank Borrowings	<b><u>275</u></b>	<u>597</u>	<u>378</u>
Net Cash Reserves	<b>3,153</b>	2,419	2,318
Days Inventory	<b>16</b>	15	19
Days Receivable	<b>30</b>	24	28
Days Payable	<b>77</b>	71	73
Cash Conversion Cycle	<b>-31 days</b>	-32 days	-26 days

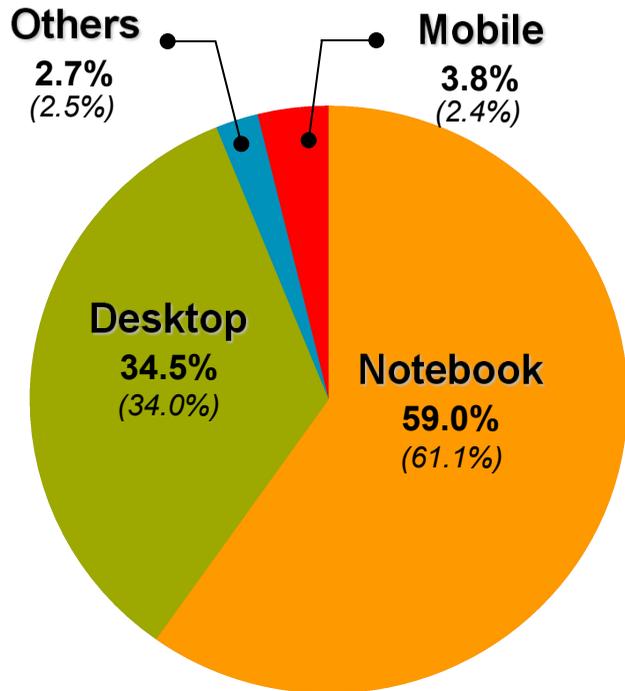
# Performance by Geography

(Excluding restructuring costs, one-off items and other income, net)	Sales US\$Million			Segment Operating Profit /(Loss), US\$Million			Segment Operating Margin		
	Q3 FY11	Y/Y	Q/Q	Q3 FY11	Q3 FY10	Q2 FY11	Q3 FY11	Q3 FY10	Q2 FY11
<b>China*</b>	<b>2,682</b>	18.0%	2.0%	<b>132</b>	135	151	<b>4.9%</b>	5.9%	5.7%
<b>Emerging Markets (Ex. China)</b>	<b>1,117</b>	34.1%	4.3%	<b>(13)</b>	(6)	(17)	<b>-1.2%</b>	-0.7%	-1.6%
<b>Mature Markets</b>	<b>2,009</b>	21.5%	-2.4%	<b>22</b>	(7)	20	<b>1.1%</b>	-0.4%	1.0%

\* Included PC & Mobile business

# Q3 Performance By Product

## By Product Type



## Desktop

- Shipments up 23% YTY; Sales up 18% YTY
- Market share up 1.9 points YTY
- Strong growth in AIO and SMB targeted desktops

## Notebook

- Shipments up 19% YTY; Sales up 15% YTY
- Market share up 1.2 points YTY
- Ultraportable ThinkPad Edge E10 and IdeaPad U260 gained fraction

## Mobile

- Shipments up 52% YTY; Sales up 87% YTY
- Strong feature phones shipments growth at 39% YTY with market share up 1.0 points YTY
- LePhone recaptured growth momentum

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**Liu Chuanzhi**

**Chairman of the Board**

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## Appendix

- Consolidated Income Statement
- Condensed Consolidated Cash Flow Statement

# Consolidated Income Statement

US\$ Million	Q3 FY2010/11	YTD FY2010/11	Q3 FY2009/10	YTD FY2009/10
Sales	<b>5,808</b>	<b>16,715</b>	4,760	12,287
Cost of sales	<b>(5,160)</b>	<b>(14,951)</b>	(4,230)	(10,947)
Gross profit	<b>648</b>	<b>1,764</b>	530	1,340
Other income, net	-	-	43	83
Selling and distribution expenses	<b>(291)</b>	<b>(757)</b>	(225)	(626)
Administrative expenses	<b>(174)</b>	<b>(525)</b>	(135)	(411)
Research and development expenses	<b>(75)</b>	<b>(212)</b>	(54)	(158)
Other operating income/(expense) - net	<b>17</b>	<b>43</b>	(60)	(37)
Operating profit	<b>125</b>	<b>313</b>	99	191
Finance income	<b>7</b>	<b>18</b>	7	15
Finance costs	<b>(11)</b>	<b>(33)</b>	(12)	(50)
Share of profit of associated companies	-	-	-	-
Profit before taxation	<b>121</b>	<b>298</b>	94	156
Taxation	<b>(21)</b>	<b>(67)</b>	(14)	(40)
Profit attributable to:				
Equity holders of the company	<b>100</b>	<b>231</b>	80	116
Dividend		<b>33</b>		12
Earnings per share (US cents)				
- Basic	<b>1.03</b>	<b>2.41</b>	0.86	1.29
- Diluted	<b>0.98</b>	<b>2.29</b>	0.79	1.21

# Condensed Consolidated Cash Flow Statement

US\$ Million	Q3 FY2010/11	Q3 FY2009/10
Net cash generated from operating activities	865	611
Net cash (used in)/generated from investing activities	(6)	115
Net cash used in financing activities	(124)	(10)
Increase in cash and cash equivalents	735	716
Effect of foreign exchange rate changes	17	11
Cash and cash equivalents at the beginning of the period	2,522	2,062
Cash and cash equivalents at the end of the period	3,274	2,789

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

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