

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

NEW WORLD. NEW THINKING.

Lenovo Group Limited

2009 Citi Technology Conference

New York | September 9 – 10, 2009

Forward-Looking Statements

Statements about future results or events, including statements about Lenovo's anticipated financial and operating performance and goals, and all other statements that are not purely historical, are forward-looking statements based on Lenovo's current expectations. Actual results in the future may differ materially from those indicated by these forward-looking statements due to a wide variety of risks and uncertainties including, but not limited to, general economic and business conditions, competition and pricing pressures in the technology industry, labor conditions, political instability, unexpected regulatory changes, trade protection measures, changes in tax and other laws, foreign currency exchange rates, the ability to predict and plan for future demand, dependence on certain single-source supplier relationships, and the effect of terrorism, natural disasters, and public health issues. In addition, any forward-looking statements represent our estimates only as of the date of this presentation and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change.

The Legend behind Lenovo



Legend in 1984

- 11 founding engineers
- US\$25,000 seed money



Lenovo in 2004

- 9,600 employees
- FY2004/05 sales*: US\$2.6B
- No.1 PC vendor in China



Lenovo Today

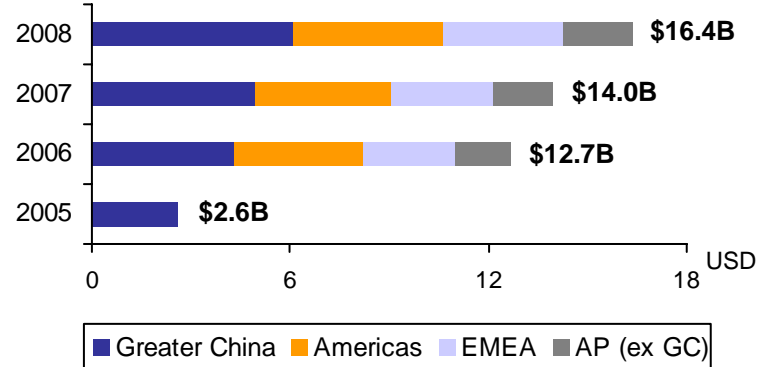
- 21,296 employees
- FY2008/09 sales*: US\$14.9B
- No.4 PC vendor worldwide
- Provides PCs to >160 countries

Integration with IBM's PC Division (2005 – 2008)

- Acquisition completed in May 2005
- Expanded leadership in China PC market
- Stabilized WW relationship business
- Launched transaction model outside China
- Improved operational efficiency

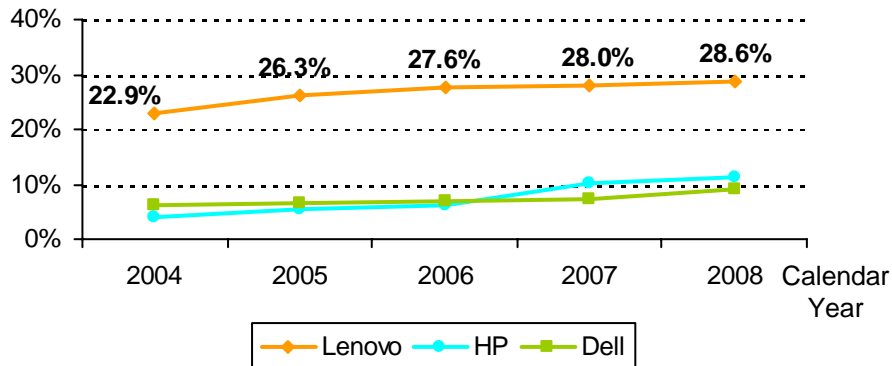
Lenovo Sales by Geography*

For the fiscal year ended March 31

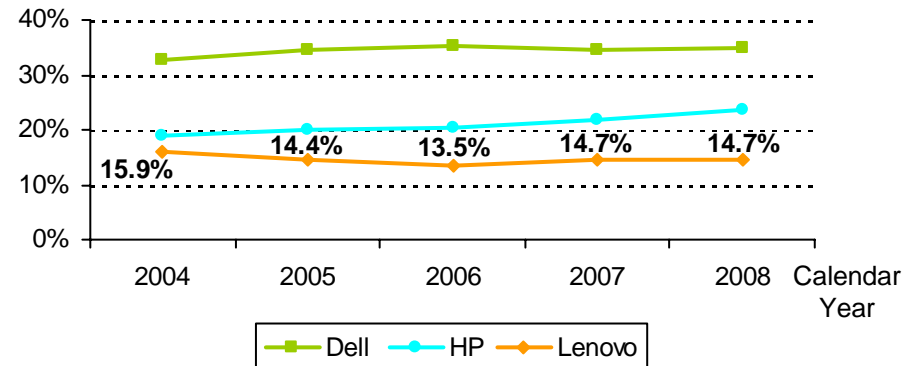


* Excluding mobile handset business which was disposed in March 2008

China PC Market Share



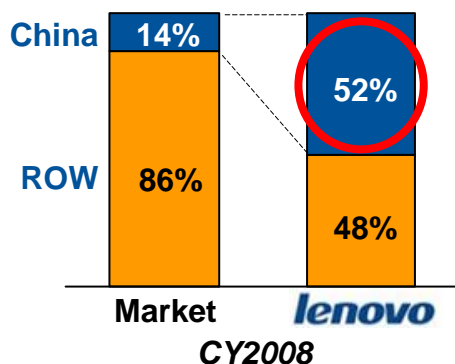
WW Large Enterprise Market Share



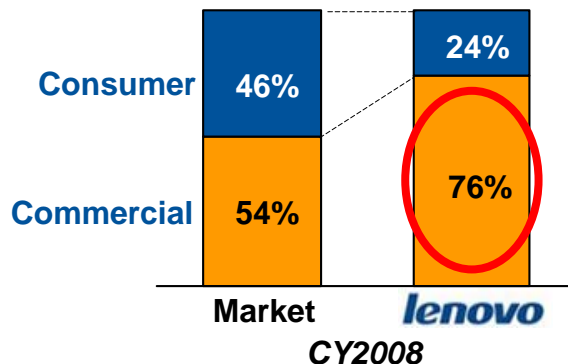
Foundation of Lenovo's Business

- Lenovo heavily weighted in China and WW Commercial markets
- Global economic crisis hit in the second half of FY2008/09
 - Significantly affected commercial PC demand
 - Growth of China PC market slowed down
- Lenovo's financial performance in FY2008/09 significantly affected by:
 - Widespread economic crisis, slower PC shipment growth
 - Steeper-than-normal decline in ASP
 - Aggressive pricing and currency fluctuations
 - Restructuring charges of US\$146M to enhance operational efficiency

WW PC Shipments
China vs. ROW



WW PC Shipments
Consumer vs. Commercial



Lenovo's Performance
For the year ended March 31

US\$M	2009	2008	YTY%
Sales	14,901	16,352	-9%
Gross profit*	1,779	2,450	-27%
Operating profit*	7	546	-99%
Pre-tax income*	29	560	-95%
Net (loss)/profit	(226)	484	n/a

* Excluding restructuring cost and one-off charges

Decisive Actions to Alleviate Impacts

Actions

- Restructuring to cut US\$300M in cost and expense
- Aggressively managing expenses
- Leverage Lean Cost Structure in China
- Replicate tightly integrated end-to-end business model

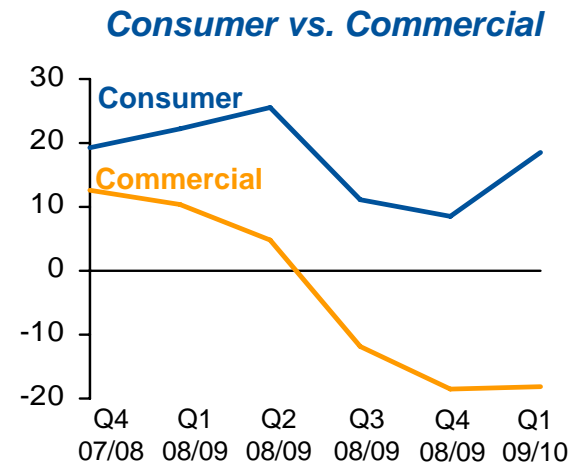
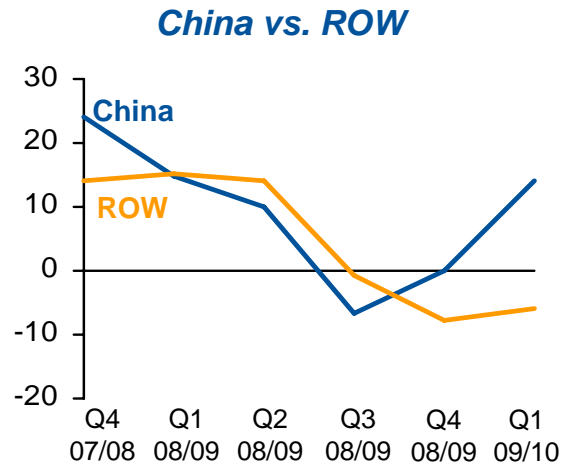
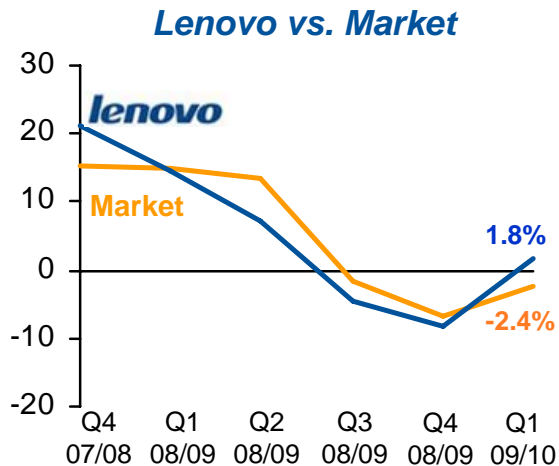
Results

- On track to realize restructuring savings in FY2009/10
- Reached expense cutting goals
- Best E/R ratio and cost-per-box since acquiring IBM PCD
- Gained worldwide market share

Lenovo Outperformed Market in Q1 FY2009/10

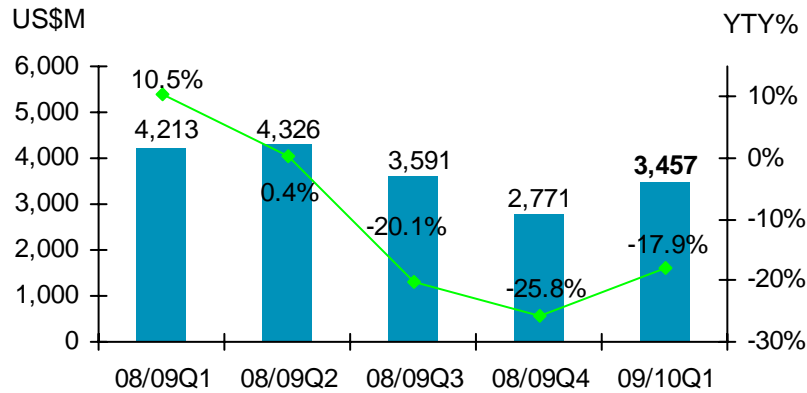
- Global economy remains volatile
 - China growing faster than the rest of the world
 - Worldwide commercial demand remains weak, esp. in the US and Western Europe
 - Industry continues to move to lower price points
- Reported higher-than-market growth and a record high market share of 8.5%
 - China market resumed growth
 - Demonstrated initial success in consumer and emerging markets (outside China)

PC Shipment YTY Growth (%)

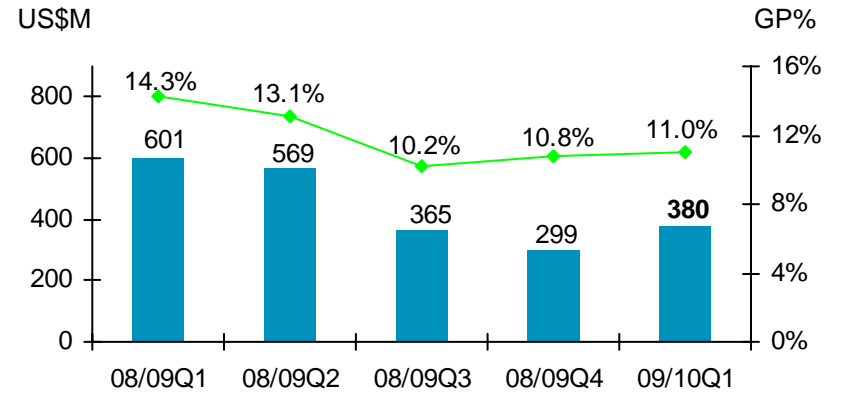


Q1 FY2009/10 Financial Summary

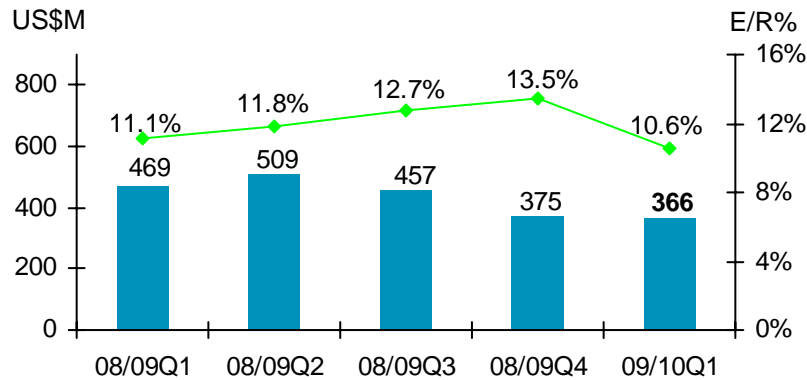
Sales



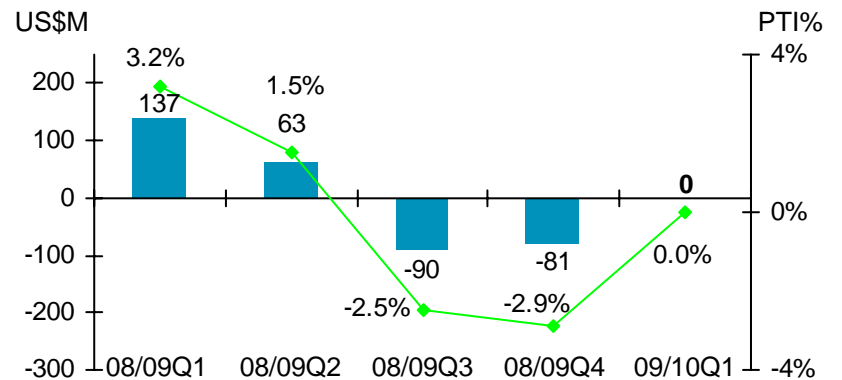
Gross Profit*



Operating Expenses*



Pre-tax Income*



Q1 FY2009/10 Geography Performance

• China

- Shipments up 15% YTY
- Market share gained 0.2 pts to 28.5%
- Maintained leadership position
- Continued to expand in new growth segments

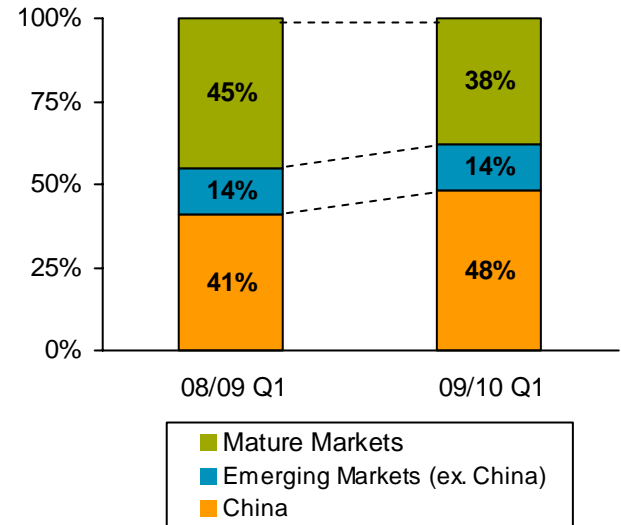
• Emerging Markets (Excluding China)

- Shipments down 6% YTY
- Aggressive pursuit of opportunities in emerging markets
- Gained share in Russia, Turkey and Latin America

• Mature Markets

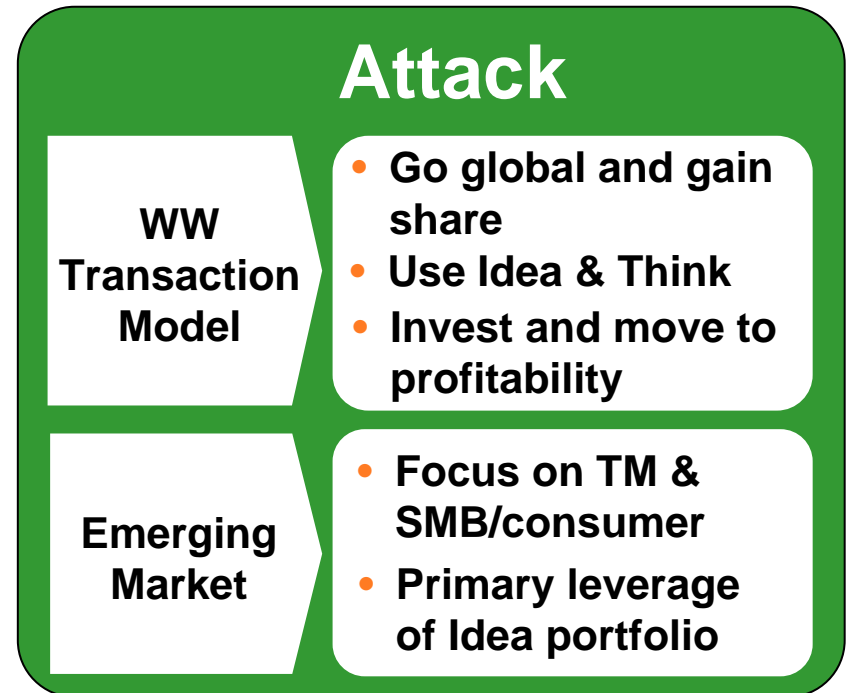
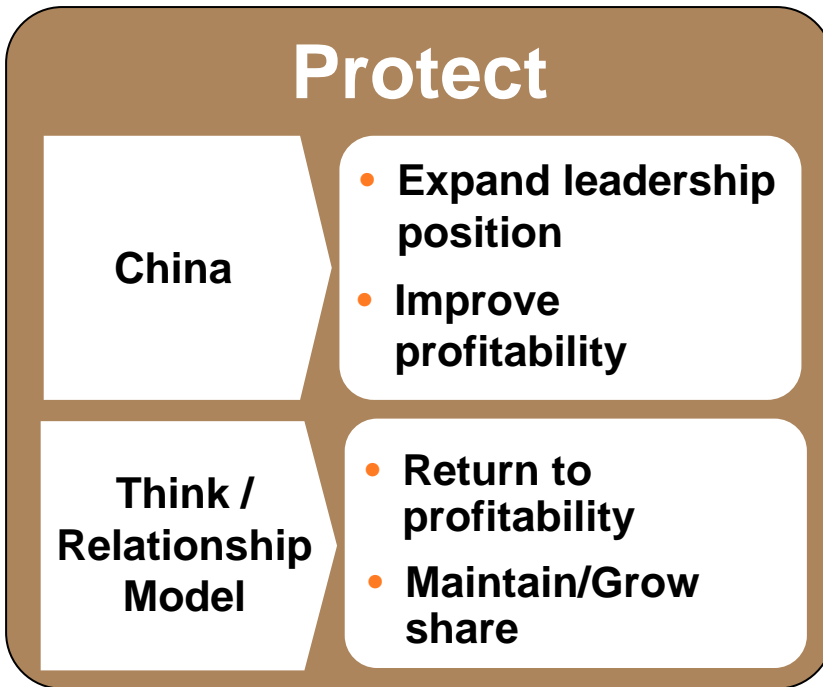
- Shipments down 17% YTY
- Impacted by the sluggish demand in commercial market
- Made progress toward restoring profitability

Sales Breakdown



(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%

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 • New business
• Creative Idea • 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 0.2 points YTY

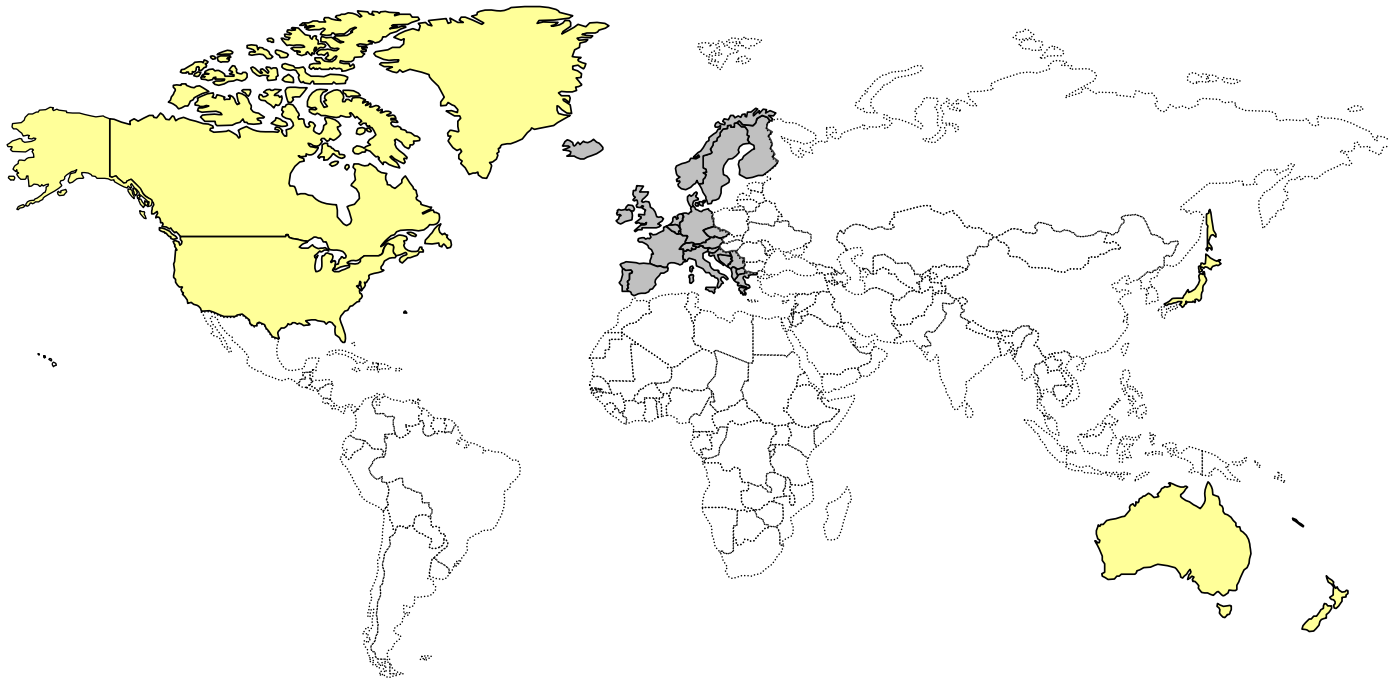


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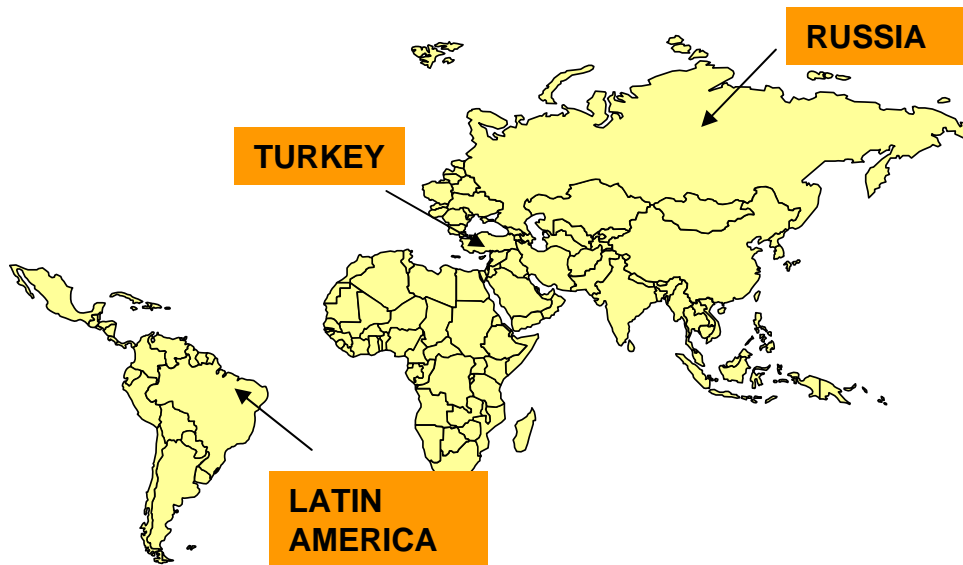
Protect Commercial: Restore Mature Markets Profitability

- 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

idea

Lenovo® recommends Windows Vista® Home Premium.

Y650
Notebook

Intel®
Centrino®
Mobile
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 resolution, 8533MHz 3D graphics and Dolby® Home Theater™ surround sound. In addition, there's also the Lenovo Desktop Navigator, Creative® Rescue System, Ambient Light Sensor and SafePlace™ 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® Centrino® 2 processor technology
- Creative® MediaSense™ Home Theater
- Creative® Theater attached audio-visual settings—automatically configures advanced video and audio settings at the press of a button
- 15" High-Definition LED backlight display, 16:10 format
- 8MB 3D-capable graphics
- 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
- SafePlace™ facial recognition technology—use your face to log in to your PC, feature website and secure files

ideapad.y650

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Lenovo® recommends Windows Vista® Business.

Intel®
CORE™
i5
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. Verify your current costs.

LENOVO THINKPAD T420	LENOVO THINKPAD X220	LENOVO IDEAPAD Y650
15.5" display	12.5" display	15" display
Intel® Core™ i5 processor	Intel® Core™ i5 processor	Intel® Core™ i5 processor
4GB memory	4GB memory	4GB memory
320GB hard drive	320GB hard drive	320GB hard drive
802.11n wireless LAN	802.11n wireless LAN	802.11n wireless LAN
Bluetooth	Bluetooth	Bluetooth
USB 2.0	USB 2.0	USB 2.0
3-in-1 card reader	3-in-1 card reader	3-in-1 card reader
Webcam	Webcam	Webcam
MicroSD card slot	MicroSD card slot	MicroSD card slot
6-cell battery	6-cell battery	6-cell battery
Weight: 5.5 lbs.	Weight: 3.3 lbs.	Weight: 5.5 lbs.
MSRP \$1,300	MSRP \$1,099	MSRP \$429

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lenovo ThinkPad

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Think

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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



ThinkPad T400s

“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



IdeaCentre Q100
Nettop



IdeaCentre Q700
Home Theatre



IdeaCentre A600 AIO



IdeaCentre
D400 Home
Server

Lenovo A600:
Best All-in-One

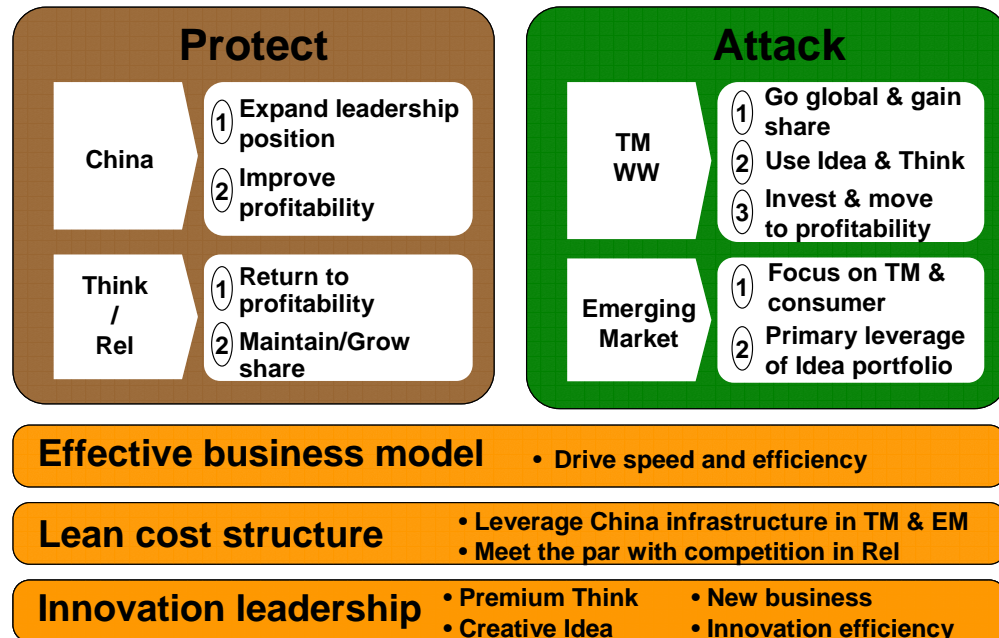


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Priorities for Extending our Progress

- 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



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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Appendix

- [FY2009/10 Q1 Financial Summary](#)
- [FY2009/10 Q1 Consolidated Income Statement](#)
- [FY2009/10 Q1 Consolidated Balance Sheet](#)
- [FY2009/10 Q1 Condensed Consolidated Cash Flow Statement](#)
- [FY2009/10 Q1 Cash Flow and Working Capital](#)
- [FY2008/09 Consolidated Income Statement](#)
- [FY2008/09 Geography Summary](#)

FY2009/10 Q1 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

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

FY2009/10 Q1 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

FY2009/10 Q1 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

FY2009/10 Q1 Cash and Working Capital

US\$ Million	Q1 2009/10	Q1 2008/09	Q4 2008/09
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

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.

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



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