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Lenovo Group Limited

FY2010/11 Q1 Results

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Wong Wai Ming

Chief Financial Officer

Financial Summary

US\$ Million	Q1 FY2010/11	Q1 FY2009/10	Y/Y	Q/Q
Sales	5,147	3,441	1706	830
Gross Profit	523	377	146	74
Operating Expenses*	(441)	(363)	(78)	(39)
Other Income, net	0	2	(2)	0
Operating Profit*	82	16	66	35
Other Non-Operating Expense	(6)	(15)	9	1
Pre-tax Income*	76	0	76	36
Restructuring Cost	(1)	(3)	2	19
Pre-tax Income/(Loss)	75	(2)	77	55
Taxation	(20)	(14)	(6)	(13)
Profit/(Loss) attributable to Equity Holders	55	(16)	71	42
EPS (US cent)				
- Basic	0.57	(0.18)	0.75	0.43
- Diluted	0.54	(0.18)	0.72	0.41

	Q1 2010/11	Q1 2009/10	Q4 2009/10
Gross margin	10.2%	11.0%	10.4%
E/R ratio*	8.6%	10.6%	9.3%
Operating margin*	1.6%	0.4%	1.1%
PTI margin*	1.5%	0.0%	0.9%
Net margin	1.1%	-0.5%	0.3%

* Excluded restructuring cost

Condensed Balance Sheet

US\$ Million	<u>As at Jun 30, 2010</u>	<u>As at Mar 31, 2010</u>
Non-current assets	2,683	2,720
Property, plant and equipment	232	248
Intangible assets	2,080	2,066
Others	371	406
Current assets	7,643	6,235
Bank deposits and cash	2,715	2,439
Account receivables	3,792	2,871
Inventories	1,097	879
Others	39	46
Current liabilities	7,730	6,418
Short-term bank loans	48	65
Account payables	7,154	5,822
Current portion of non-current liabilities	429	437
Others	99	94
Net current (liabilities)/assets	(87)	(184)
Non-current liabilities	966	931
Total equity	1,630	1,606

Cash and Working Capital

US\$ Million	<u>Q1 2010/11</u>	<u>Q1 2009/10</u>	<u>Q4 2009/10</u>
Bank deposits and cash	2,715	2,103	2,439
Total Bank Borrowings	478	685	495
Net Cash Reserves	2,237	1,418	1,944
Days Inventory	19	15	18
Days Receivable	28	22	30
Days Payable	70	71	76
Cash Conversion Cycle	-23 days	-34 days	-28 days

Q1 Geography Summary

- **China**
 - PC shipments up 43% YTY; Market share gained 2.4 points to 28.7%
 - Robust growth was driven by Notebooks
 - Extend leadership position and widened the gap between key competitors
 - Mobile shipments up 82% YTY; Market share gained 0.9 points to 4.9%
- **Emerging Markets (Excluding China)**
 - Shipments up 69% YTY; Market share gained 1.4 points to 5.4%
 - Gained shares in all regions
 - Improved profitability QTQ and YTY
- **Mature Markets**
 - Shipments up 49% YTY; Market share gained 1.3 points to 5.6%
 - Solid growth was driven by Idea products and on-going recovery of Think products
 - Achieved break-even under strong shipments growth and stringent expense control

(Excluded restructuring cost)	Sales US\$ Million			Segment Operating Profit US\$ Million			Segment Operating Profit Margin		
	Q1 FY11	Y/Y	Q/Q	Q1 FY11	Q1 FY10	Q4 FY10	Q1 FY11	Q1 FY10	Q4 FY10
China *	2,508	50.1%	28.3%	138	105	108	5.5%	6.3%	5.5%
Emerging Markets (Ex. China)	821	79.6%	10.3%	(25)	(32)	(39)	-3.0%	-7.1%	-5.1%
Mature Markets	1,818	38.5%	12.4%	0	(37)	(6)	0.0%	-2.8%	-0.4%

* Included Lenovo Mobile

Q1 Product Performance

- Idea**

- Shipments up 74% YTY; Sales up 74% YTY
- Launched first 3D multi-media notebook Y560d and IdeaCentre A700 AIO

- Think**

- Shipments up 29% YTY; Sales up 32% YTY
- Launched L series and ThinkCenter M90z AIO

- Notebook**

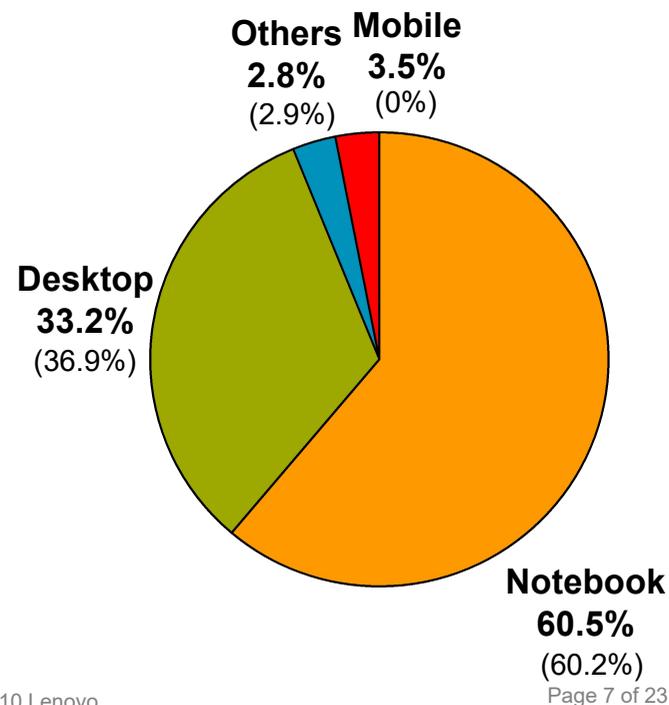
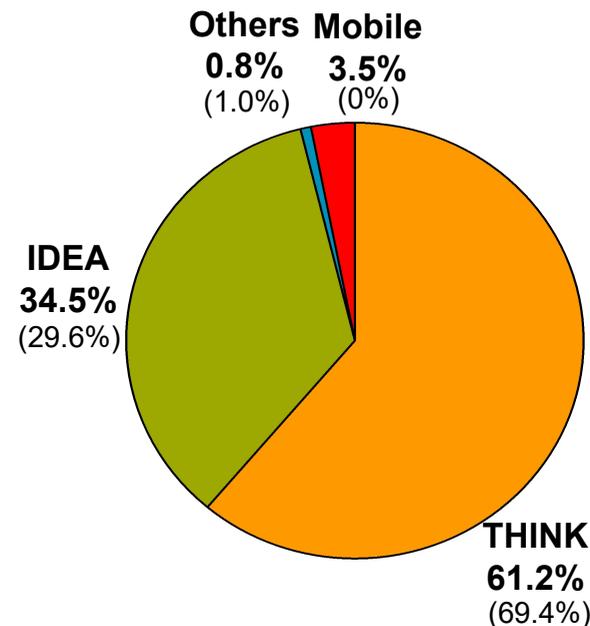
- Shipments up 58% YTY; Sales up 50% YTY
- Notebook market share gained 2.0 points to become the fourth largest notebook PC company

- Desktop**

- Shipments up 36% YTY; Sales up 35% YTY
- Maintained solid performance through AIO and SMB targeted desktops

- Mobile**

- Shipments up 82% YTY; Sales up 89% YTY
- Rapid and widespread customer acceptance and encouraging initial sales



Share Repurchase Update

- **Objectives**
 - Enhance shareholders' return
 - Management confidence on company prospects
- **From June 21, 2010 - July 16, 2010**
 - Total number of shares repurchased: 77 million shares
 - Total consideration: US\$43 million
 - Average repurchase price/share: HK\$4.33

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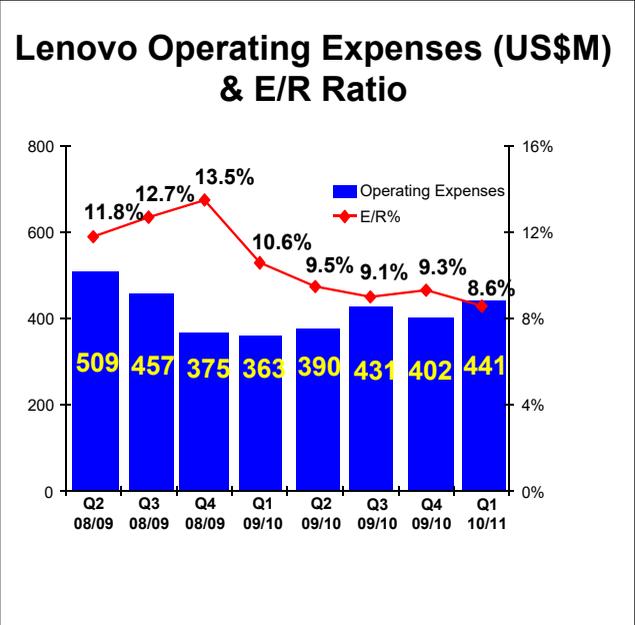
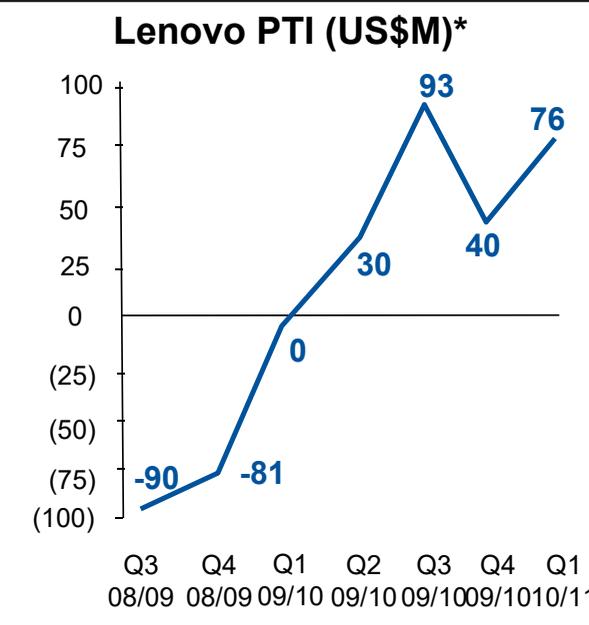
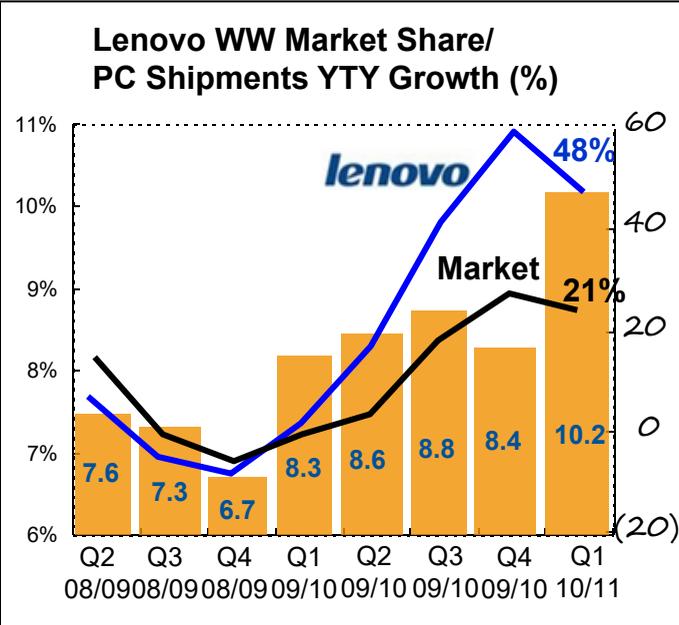
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Yang Yuanqing

Chief Executive Officer

Historic Market Share Breakthrough, Continued Strong Momentum

- Market share reached double-digits: 10.2%, up 1.9 points YTY
- Improved profitability: PTI of US\$76 million, up US\$77 million YTY
- Lowest E/R since acquisition: 8.6%, drop of 2 points YTY

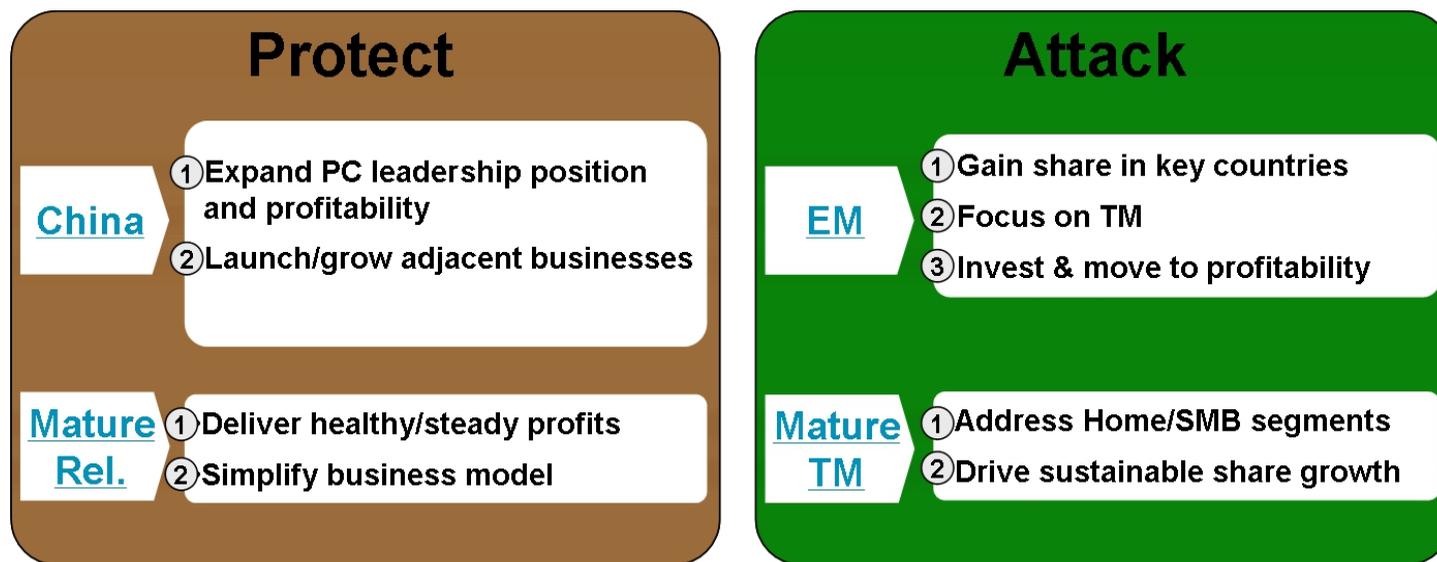


* Excluded one-off item/restructuring cost

Sources: IDC and Internal Data

Effective Execution of “Protect & Attack” Strategy

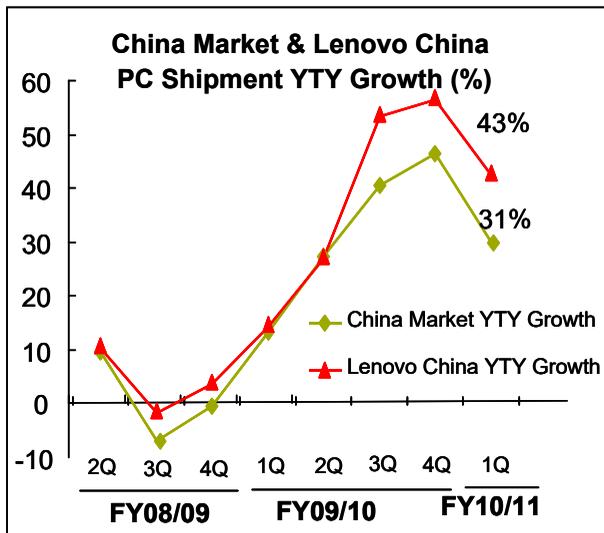
- Protect & Attack strategy aligned with our dual engines:
 - **Protect:** China / Mature Relationship; **Attack:** Emerging / Mature Transactional
 - **Profit Engine:** Think & Relationship; **Growth Engine:** Idea & Transactional



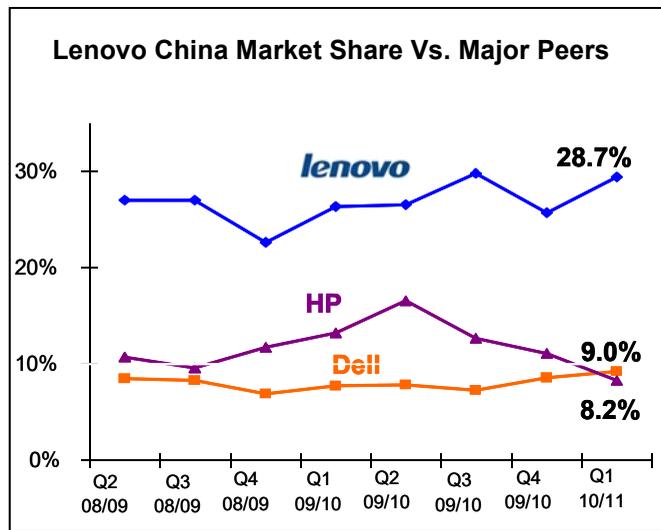
- | | |
|---------------------------------|---|
| Effective business model | <ul style="list-style-type: none"> • End-to-end integration • Drive opportunity / speed / efficiency |
| Innovation leadership | <ul style="list-style-type: none"> • Premium Think • Creative Idea • New businesses • Innovation efficiency |
| Global culture | <ul style="list-style-type: none"> • Lead “The Lenovo Way” • Meet commitments/Take ownership |

Protect China Leadership

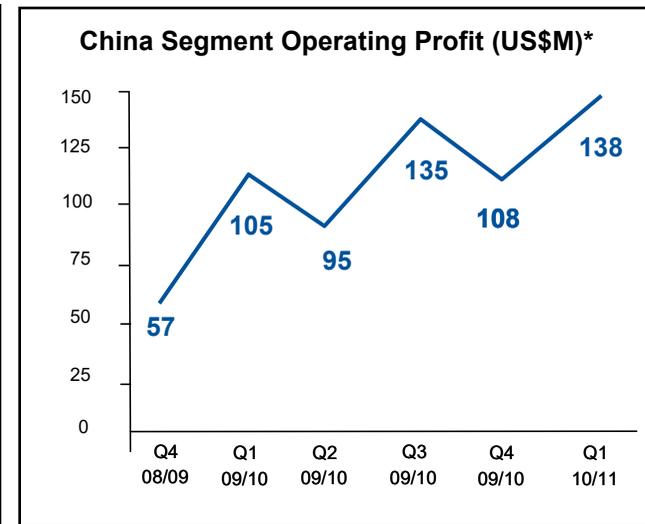
- Strengthened China leadership
 - Grew 43% YTY, gained 2.4 points market share YTY
 - Widened gap with competition
- Improved Segment Operating Profit by US\$33 million YTY



Source: IDC



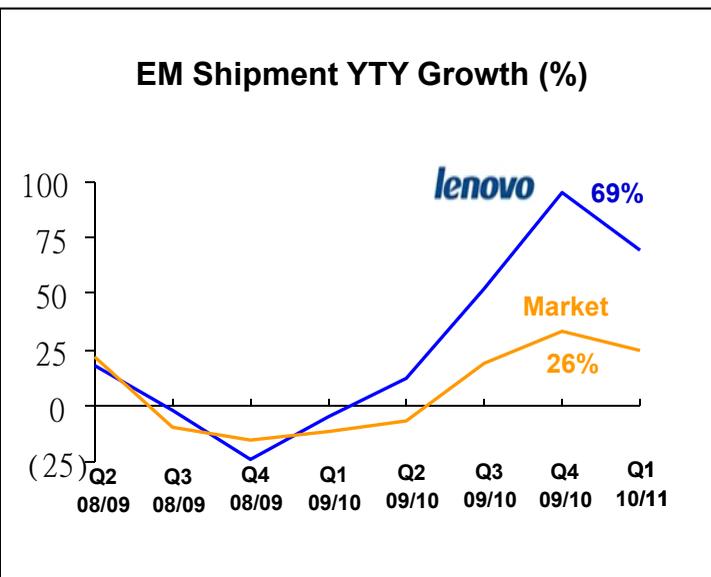
Source: IDC



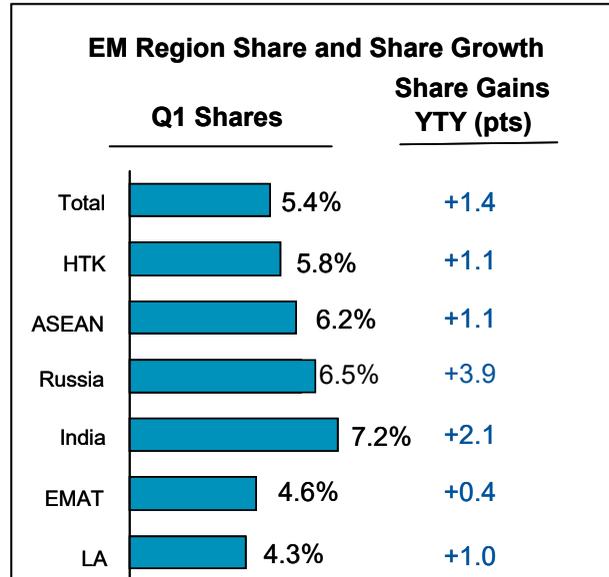
* Excluded one-off item/restructuring cost

Attack Emerging Markets

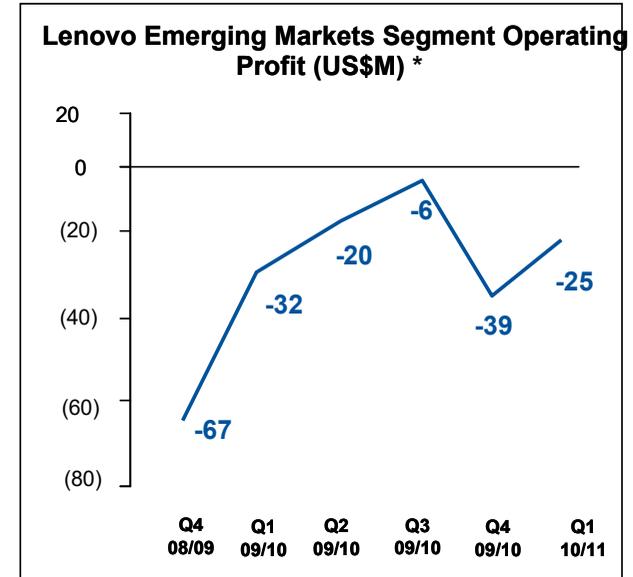
- Achieved rapid growth
 - Volume grew 69% YTY, gained 1.4 points market share YTY
 - Increased market share in all key emerging markets
- Improved Segment Operating Profit by US\$7 million YTY



Source: IDC



Source: IDC

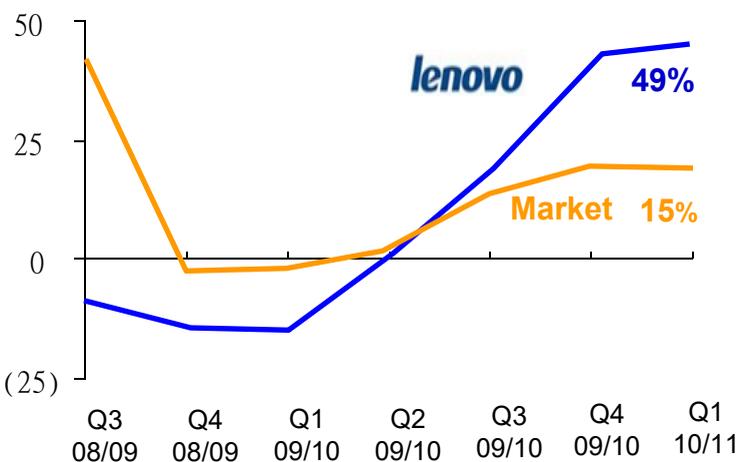


* Excluded one-off item/restructuring cost

Mature Markets: Protect Relationship, Attack Transactional

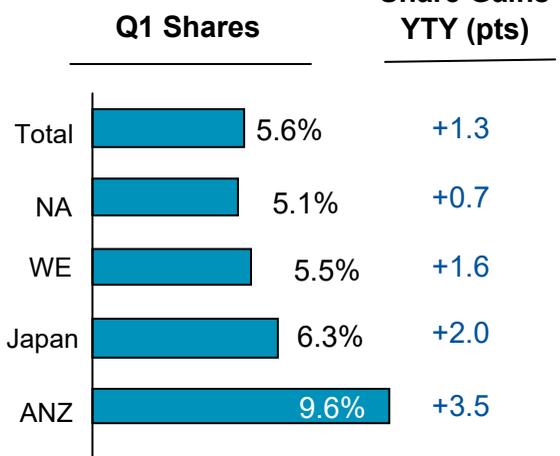
- Mature Market volume grew 49% YTY, gained 1.3 points market share YTY
 - Relationship volume grew 30% YTY, twice as fast as market
 - Transactional volume grew 60% YTY, 4 times as fast as market
- Achieved break-even for first time since economic downturn

Mature Market YTY Growth (%)



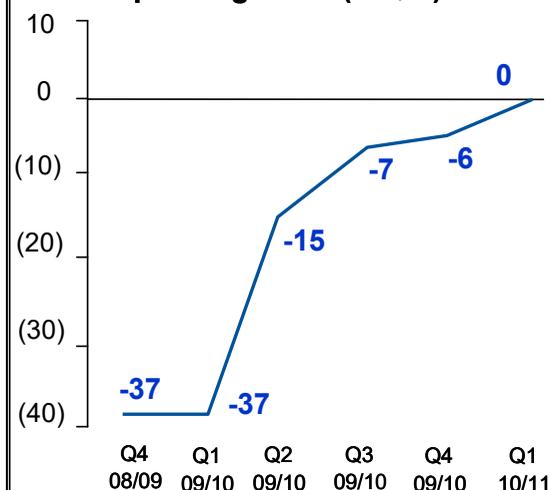
Source: IDC

MM Region Share and Share Growth



Source: IDC

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

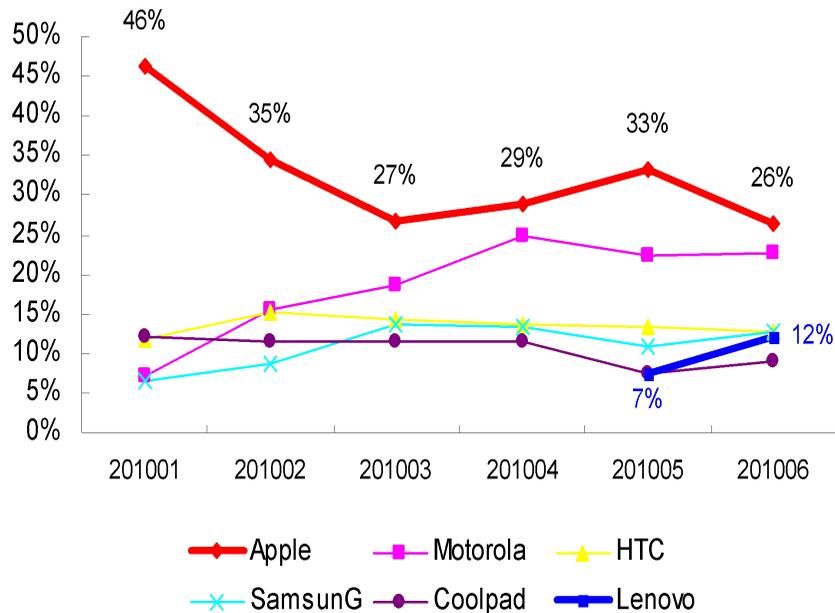


* Excluded one-off item/restructuring cost

Capture Growth Opportunities in Mobile Internet

- LePhone launch successful; reached 12% share of premium internet phone market

> ¥ 2000 3G Mobile Internet Phone Market Share



Source: SINO, excluded Symbian O/S

Building Strong and Long-term Foundation for Growth

- Investing in our competitiveness
 - Further invest in innovation, improve innovation capability
 - Refine business model, maximize value and efficiency
 - Increase branding efforts, raise brand recognition



Outlook

- Facing challenges:
 - China market experiencing slight slowdown
 - Mature Markets' demands not fully recovered
- Capturing opportunities:
 - Commercial replacement demand improving gradually
 - Emerging Markets offer growth opportunities
 - Strategy in place to seize opportunity presented by mobile internet

**Drive Faster
Than Market Growth**



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Liu Chuanzhi

Chairman of the Board

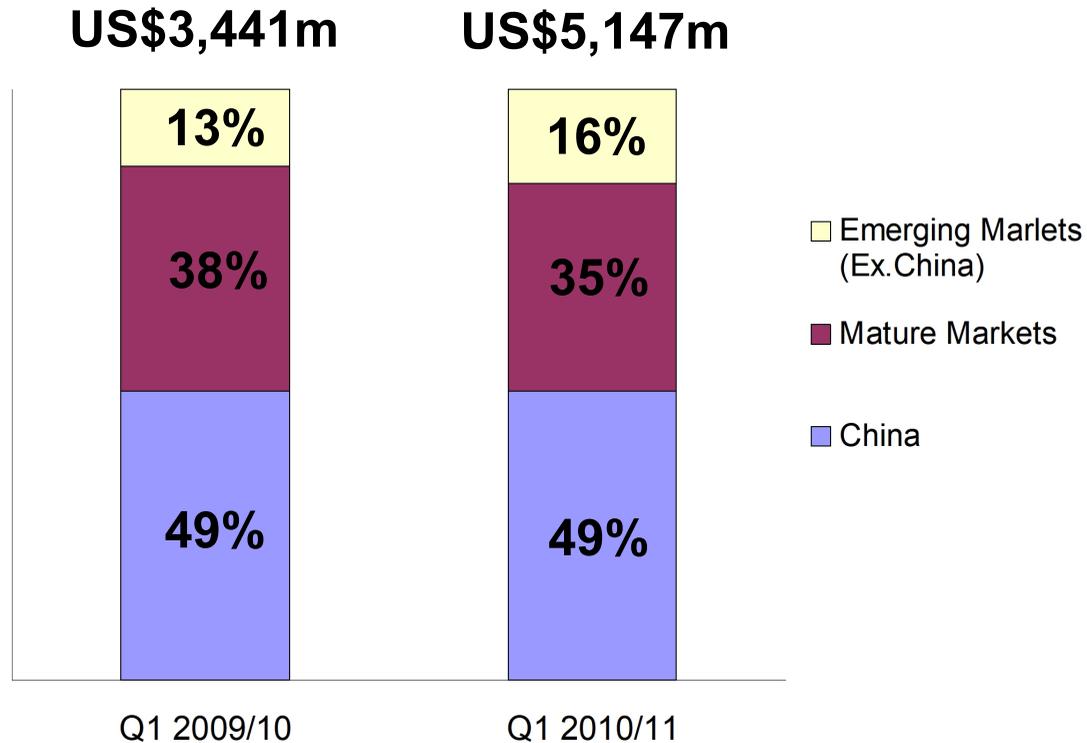
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Appendix

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

Sales Breakdown



Balanced Geographic Mix

Consolidated Income Statement

US\$ Million	Q1 2010/11	Q1 2009/10
Sales	5,147	3,441
Cost of sales	(4,624)	(3,064)
Gross profit	523	377
Other income, net	-	2
Selling and distribution expenses	(222)	(189)
Administrative expenses	(153)	(140)
Research and development expenses	(77)	(49)
Other operating income, net	10	12
Operating profit	81	13
Finance income	5	4
Finance costs	(11)	(19)
Share of profit/(loss) of associated companies	-	-
Profit/(loss) before taxation	75	(2)
Taxation	(20)	(14)
Profit/(loss) attributable to:		
Equity holders of the company	55	(16)
Earnings/(Loss) per share (US cents)		
- Basic	0.57 US cent	(0.18 US cent)
- Diluted	0.54 US cent	(0.18 US cent)

Condensed Consolidated Cash Flow Statement

US\$ Million	Q1 2010/11	Q1 2009/10
Net cash generated from operating activities	315	237
Net cash generated from/(used in) investing activities	87	(211)
Net cash used in financing activities	(34)	-
Increase in cash and cash equivalents	368	26
Effect of foreign exchange rate changes	11	10
Cash and cash equivalents at the beginning of the period	2,238	1,863
Cash and cash equivalents at the end of the period	2,617	1,899

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

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