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NEW WORLD. NEW THINKING.

Lenovo Group Limited

2008/09 Q3 Results

February 5, 2009

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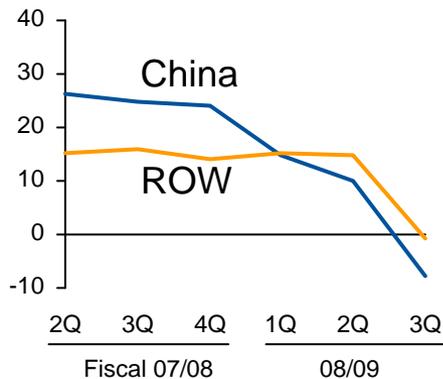
William Amelio

Global Economy Continues to Impact Entire Industry

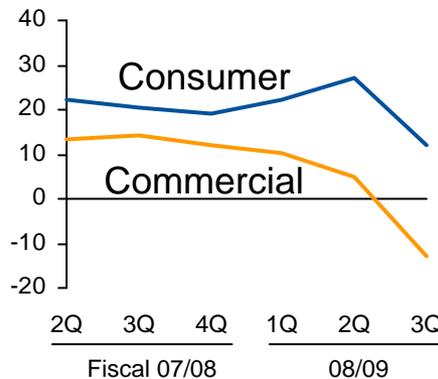
- The China PC market slowed to levels below global growth
- Commercial growth slowed dramatically
- Rapid expansion of entry-price category

PC Market Shipment Growth (%)

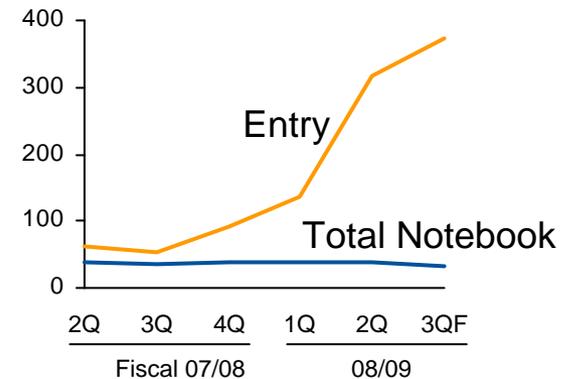
China v. ROW



Consumer v. Commercial



Overall Notebook v. Entry



IDC Worldwide PC Market 2008 - 2012 Forecast Update

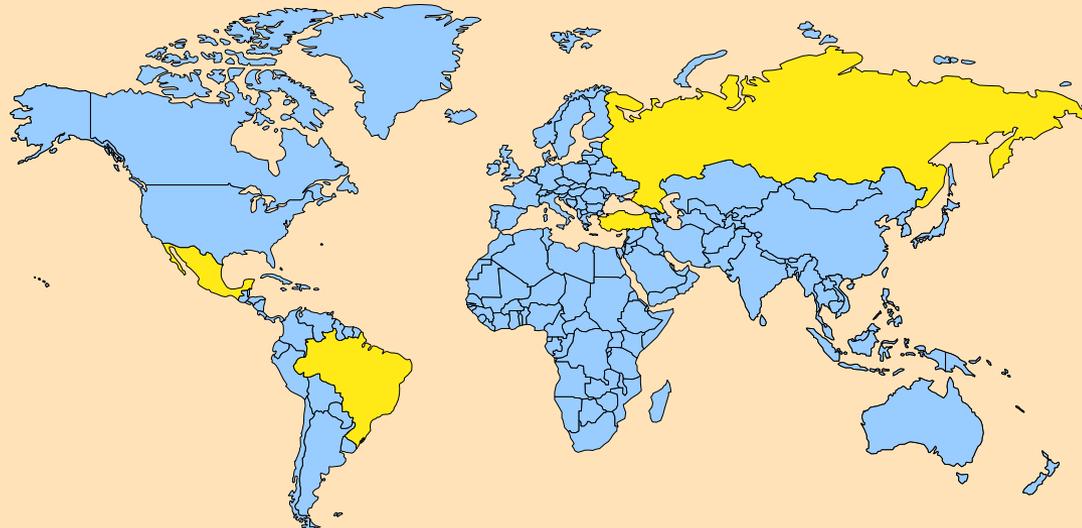
- Growth: 3.8% in 2009 (down from 13.7%)
- Value down 5.3% (down from 4.5% growth)
- Lower outlook through 2010

Taking Decisive Action

- Global Restructuring to drive US\$300M in expense reduction
 - Expense reductions on pace with revenue decline to maintain E/R ratio
 - Driving additional E2E cost improvement actions to increase competitiveness
-
- Key actions:
 - Consolidate Greater China/AP for greater efficiency and performance
 - Integrated consumer business into our Geography structure
 - Shift all marketing resources to demand generation
 - Migration of activities to low-cost jurisdictions
 - Applying Lean Six Sigma aggressively to reduce costs
 - Continued implementation of strategic IT to automate, streamline processes
 - Strict expense controls on travel, incentives, executive pay

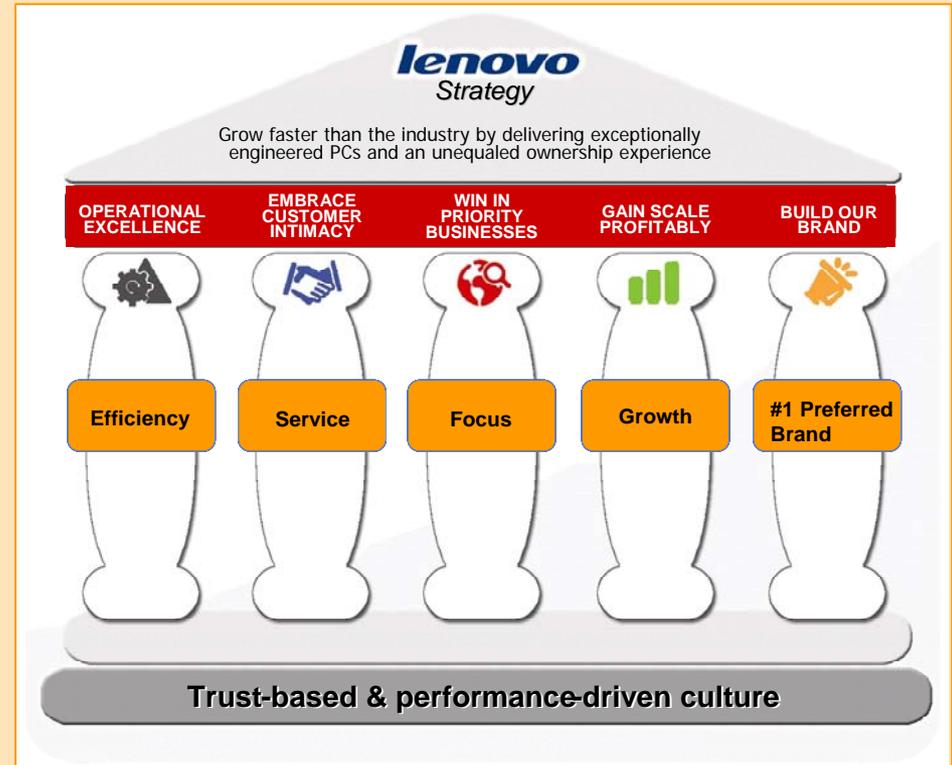
Making Progress: Actions Already Delivering Results

- Already realized savings from Q2/Q3 workforce reductions
- Accelerating growth and improving performance in new segments
- Consumer sales rise 100% outside of China
- Outperforming market in key emerging countries
- Continuing to gain share in China
- Continuing to win in commercial segment



Strategic Plan: Control Expenses and Invest in Key Areas

- Continue to eliminate cost, reduce expenses
- Strategic commitment
- Investing in key areas
 - China:
 - Continue to gain share, lead
 - Entry-level PCs:
 - Aggressive acceleration
 - Relationship business:
 - Keep winning accounts
 - Emerging markets:
 - Grow faster than market
 - Product leadership:
 - Differentiation through innovation



Strategy for Growth: Expand China Leadership

- Gained market share over the last year
- Investments targeted to further increase market lead
 - Prioritizing resources for key industries, products and profit drivers
 - Increasing locations and improving appearance of storefronts
 - Continuing to expand relationship sales

Mainland giant retains market share in region even as shipments decline

Lenovo still Asia's top PC supplier

Staying ahead

Market share of personal computer suppliers in Asia-Pacific, including Japan (%)

	Q4 07	Q4 08	2007	2008
Lenovo Group	19.4	19.5	18.2	18.3
Hewlett-Packard	12.2	12.5	13.2	14.1
Dell	8	9.7	7.4	9.1
Acer	6.4	7.3	6.1	7.5
Others	53	50.1	55.2	51



Still, last year's results compared to zero per cent in 1998.

"The clouds are dark year, although there are pockets of shelter in their lie sector," Mr Ma said. Governments in the the rest of the world boost spending demand.

"We are ment less trucks, but we are not in the market segment."

That was enough for the mainland technology giant to corner a 19.5 per cent market share during the period, almost the same as a year ago, to keep at bay chief rivals Hewlett-Packard, Dell and Acer, respectively, the world's top three personal computer vendors.

IDC estimated personal computer shipments in Asia-Pacific, excluding Japan, slowed to 17.2 million units in the fourth quarter, falling about 14 per cent from the previous quarter and 5.3 per cent year on year.

However, analyst firm Gartner's estimates put personal computer shipments in the fourth quarter at 18.5 million units in the region, which resulted in 1.8 per cent growth.

"This quarter was quite a jaw-dropper, not just in China, but also in India where economic and changed issues really took their toll," said Bryan Ma, the director of Asia-Pacific personal computers research at IDC.

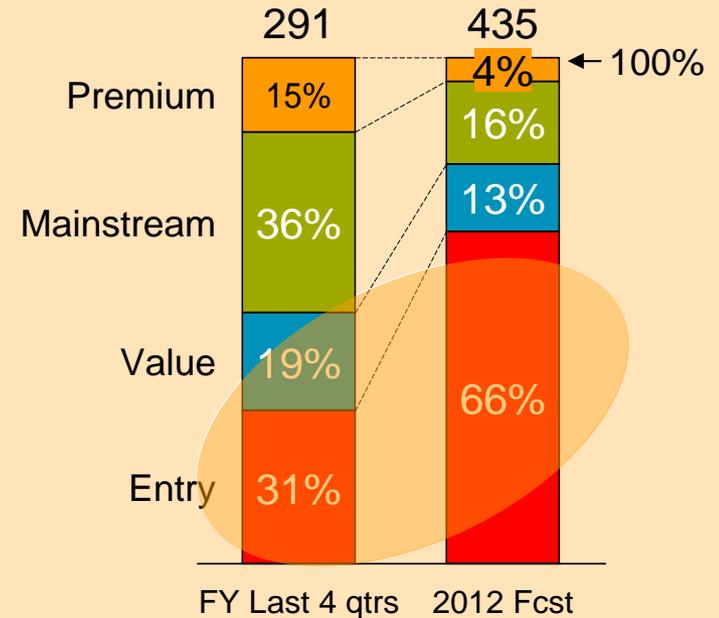
computer vendor position in Asia... international workforce, slash execu... ments, but do not believe they wa... According to IDC, personal com... More on le... 6/20/09

China Share UP to 30.5%

Strategy for Growth: Entry-Level PC Segment

- Expand Netbook presence
 - Launched first Netbooks (IdeaPad S9/S10)
 - Rapid ramp up
 - Achieved fast 7% share
- New business model for entry-level segment
 - New end-to-end approach
 - Lower supply chain and logistics costs
 - Significant channel expansion
 - Drive sales of entry-level PCs
 - Commercial and consumer

WW PC Market volume by price band
M Units



Strategy for Growth: Relationship Sales

- Acquiring accounts aggressively, faster than the market
- Product and service innovations continue to receive raves
- Increased market share to 11.6%; New acquisition up 6 points YTY
- Services attach rate climbs 16% YTY
- Marquee wins position us for future growth



"Using Lenovo's innovative PCs and tools, we lowered data migration time for employees by 75% and completed the transition in just six months."

- Mack Murrell, VP of Info Systems, Dow

Strategy for Growth: Product Excellence

- Lenovo products continue to lead the industry in innovation
- Won awards, recognition at recent CES
- Announced new innovations that address customer needs
- Optimizing our product development investments



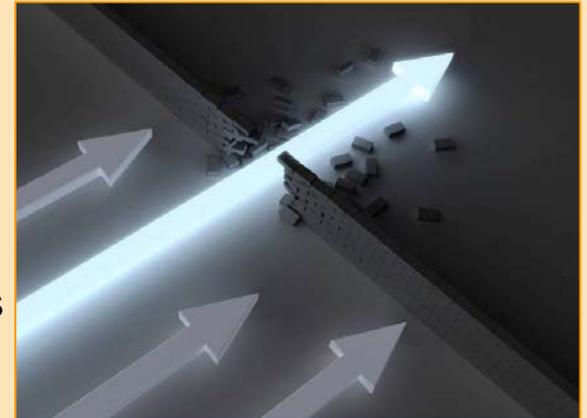
*Look out Apple, Dell, Sony, and Gateway — there's a newer, prettier all-in-one PC about to hit the streets.
-- DVice*

“Power users of laptops must surely be drooling over the new Lenovo ThinkPad w700ds. This behemoth offers pretty much every feature you can imagine and a few you can't, such as a dual-screen arrangement in which a smaller screen slides out of the 17-inch main monitor.” – Yahoo News

“The Lenovo X300 is the best PC laptop ever made....and the keyboard, as on all Lenovos, is perfect.” – Esquire, The Digital Man

Returning to Growth

- Difficult quarter ... But actions are taking hold and delivering results
 - Cost reductions are significant; Restructuring will drive on-going efficiency
 - Emerging market, entry-level strategy set stage for growth
 - Continued performance in China, commercial
- Q4 focus areas are clear
 - Continue and protect China business
 - Drive Relationship model acquisition; Leverage profit drivers
 - Keep focus on Emerging Markets
 - Maintain focus on expense
 - Implement new business model to drive growth in industry sweet spots
 - Engineer the industry's best products and services



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Wong Wai Ming

Financial Summary

US\$ Million	Q3 FY2008/09	Q3 FY2007/08	Y/Y	Q/Q	YTD 2008/09	Y/Y
Continuing Operations						
Sales	3,592	4,494	- 20.1%	- 17.0%	12,130	- 3.9%
Gross Profit	354	681	- 48.1%	- 35.1%	1,493	- 21.0%
Operating Expenses	(450)	(493)	- 8.7%	- 8.5%	(1,410)	- 2.7%
Other Income, net	0	9			1	
Operating (Loss)/Profit before Restructuring Cost	(96)	197	n/a	n/a	84	- 81.3%
Other Non-Operating Income	6	2			25	
Pre-tax (Loss)/Income before Restructuring Cost	(90)	199	n/a	n/a	109	- 76.1%
Restructuring Cost	(6)	(2)			(29)	
Pre-tax (Loss)/Income	(96)	197	n/a	n/a	80	- 80.4%
Taxation	(1)	(16)			(43)	
(Loss)/Profit from Continuing Operations	(97)	181	n/a	n/a	37	- 89.7%
Loss from Discontinued Operations	-	(8)			-	
(Loss)/Profit attributable to Shareholders	(97)	172	n/a	n/a	37	- 89.2%
EPS (US cents)						
- Basic	(1.09)	1.93	n/a	n/a	0.42	- 89.4%
- Diluted	(1.09)	1.76	n/a	n/a	0.39	- 89.3%

	Q3 2008/09	Q3 2007/08	Q2 2008/09
Gross margin	9.8%	15.2%	12.6%
Expense-to-revenue ratio*	12.5%	11.0%	11.4%
Operating margin*	-2.7%	4.4%	1.2%
PTI margin*	-2.5%	4.4%	1.5%
Net profit margin	-2.7%	3.8%	0.5%

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Condensed Balance Sheet

US\$ Million	As at Dec 31, 2008	As at Mar 31, 2008
Non-current assets	2,512	2,494
Property, plant and equipment	363	365
Intangible assets	1,863	1,838
Others	286	291
Current assets	4,349	4,705
Bank deposits and cash	1,819	2,191
Account receivables	1,962	1,999
Inventories	516	472
Others	52	43
Current liabilities	4,343	4,488
Short-term bank loans	19	61
Account payables	4,152	4,273
Current portion of non-current liabilities	139	49
Others	33	105
Net current assets	6	217
Non-current liabilities	1,023	1,098
Total equity	1,495	1,613

Cash and Working Capital

US\$ Million	<u>Q3 2008/09</u>	<u>Q3 2007/08</u>	<u>Q2 2008/09</u>
Bank deposits and cash	1,819	2,158	1,985
Total bank borrowings	<u>519</u>	<u>162</u>	<u>516</u>
Net cash reserves	1,300	1,996	1,469
Days inventory	17	9	15
Days receivable	35	24	30
Days payable	74	62	68
Cash conversion cycle	-22 days	-28 days	-23 days

Geography Performance

Greater China

- PRC shipment down 1% YTY
- PRC market share up 1.8 pt to 30.5%
- Economic crisis impacted PC market

EMEA

- Shipment down 3% YTY
- Negative currency impact
- Significant growth in Russia and Turkey
- Execution on expense reduction

Americas

- Shipment down 6% YTY
- Weakness in commercial market
- Notebook mix to lower price cells
- Market share gained in Brazil and Mexico

Asia Pacific (ex. GC)

- Shipment down 23% YTY
- Pressure on market demand
- Scaled back expansion in India

Geography Summary (Excluding restructuring charges)

	Sales US\$mn			Segment Operating Profit US\$mn			Segment Operating Profit Margin		
	Q3 09	Y/Y	Q/Q	Q3 09	Q3 08	Q2 09	Q3 09	Q3 08	Q2 09
Greater China	1,609	-6.5%	-15.2%	97	122	108	6.1%	7.1%	5.7%
Americas	904	-21.5%	-15.5%	(33)	31	9	-3.7%	2.6%	0.9%
EMEA	735	-32.4%	-17.4%	(83)	61	(12)	-11.3%	5.5%	-1.4%
AP (ex GC)	343	-35.9%	-26.5%	(48)	(2)	(23)	-14.0%	-0.4%	-4.9%

* Continuing operations

Product Performance

- **Notebook**

- Shipment up 3% YTY
- Sales down 20% YTY, 57% of share
- Expanded product lines including S-series Netbooks and N-series notebooks
- Rank 2nd in TBR Customer Satisfaction Index
- Lower cost ThinkPad configurations to reach lower price cell

- **Desktop**

- Shipment down 11% YTY
- Sales down 21% YTY, 41% of share
- Gained share in the market
- Continued to rank 1st in TBR Customer Satisfaction Index, with the highest score
- Focus on product simplification to improve operational efficiency and cost savings

Outlook

- Expects the next several quarters to remain very challenging
- Restructuring action plan in Q4
 - to enhance competitiveness
 - to realize savings of approx. US\$300 million in the next fiscal year
- Adopt a new end-to-end entry-level PC business model
- Position for growth and build a platform for future returns
- A strong cash position to weather through this storm

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Yang Yuanqing

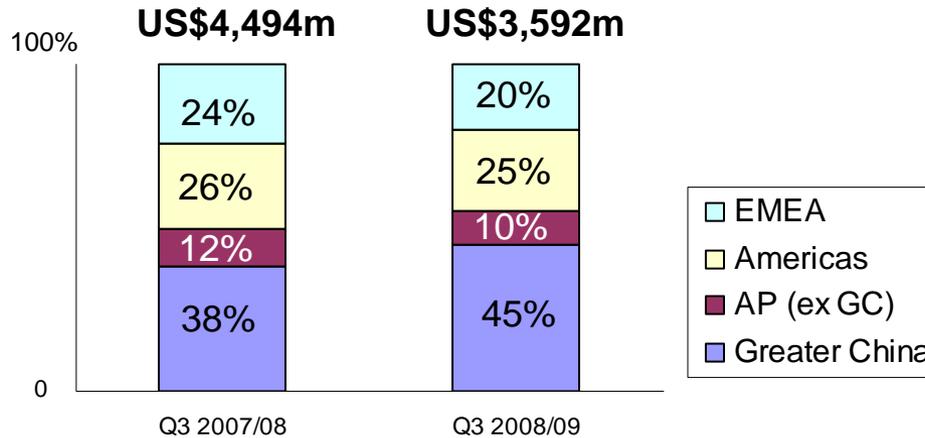
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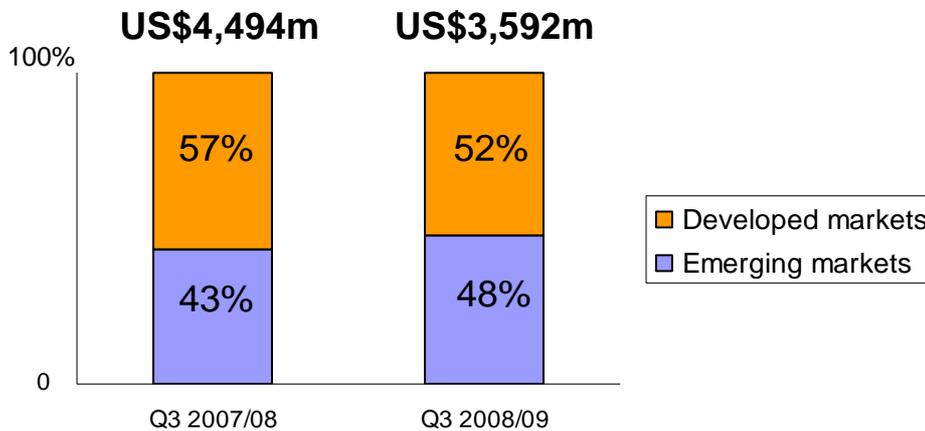
Appendix

- Sales Breakdown
- Income Statement
- Cash Flow Statement

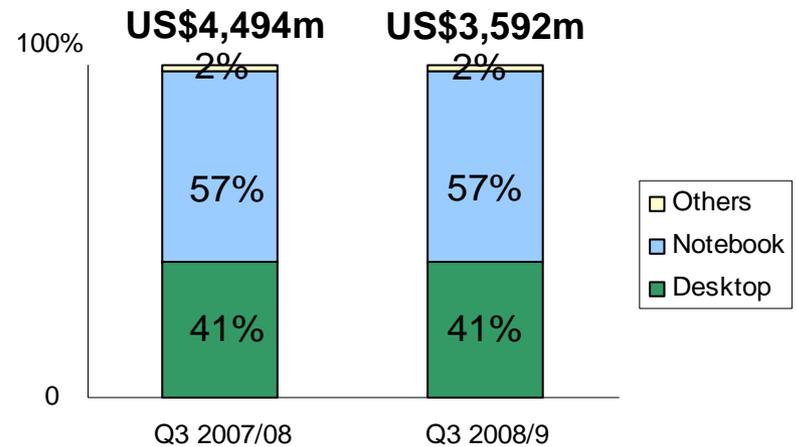
Sales Breakdown*



Balanced geographic mix



Increasing emerging markets presence



Higher notebook mix

Consolidated Income Statement

US\$ Million	Q3 2008/09	YTD 2008/09	Q3 2007/08	YTD 2007/08
Continuing operations:				
Sales	3,592	12,130	4,494	12,617
Cost of sales	(3,238)	(10,637)	(3,813)	(10,726)
Gross profit	354	1,493	681	1,891
Other income, net	0	1	9	11
Selling and distribution expenses	(234)	(754)	(283)	(841)
Administrative expenses	(152)	(484)	(171)	(443)
Research and development expenses	(45)	(146)	(58)	(165)
Other operating (expenses)/income - net	(25)	(55)	17	(49)
Operating (loss)/profit	(102)	55	195	404
Finance income	15	53	15	36
Finance costs	(10)	(28)	(13)	(30)
Share of gain of associated companies	1	0	0	0
(Loss)/profit before taxation	(96)	80	197	410
Taxation	(1)	(43)	(16)	(50)
(Loss)/profit from continuing operations	(97)	37	181	360
Losses from discontinued operations	-	-	(8)	(15)
(Loss)/profit for the period	(97)	37	173	345
(Loss)/profit attributable to:				
Shareholders of the company	(97)	37	172	344
Minority interests	-	-	1	1
	(97)	37	173	345
Dividend		36		35
Earnings per share (US cents)				
- Basic	(1.09)	0.42	1.93	2.00
- Diluted	(1.09)	0.29	1.76	1.86

Condensed Cash Flow Statement

US\$ Million	2008/09 Q3	2007/08 Q3
Net cash (used in)/generated from operating activities	(70)	370
Net cash generated from/(used in) investing activities	373	(28)
Net cash used in financing activities	(31)	(45)
Increase in cash and cash equivalents	272	297
Decrease in cash and cash equivalents from discontinued operations	-	(14)
Effect of foreign exchange rate changes	(25)	(7)
Cash and cash equivalents at the beginning of the period	1,312	1,882
Cash and cash equivalents at the end of the period	1,559	2,158

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

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