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# Lenovo Group Limited

## FY2010/11 Q1 Results

August 18, 2010 – New York /  
August 19, 2010 – Hong Kong

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**lenovo**

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

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

\* Excluded restructuring cost

# Condensed Balance Sheet

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

# Cash and Working Capital

<b>US\$ Million</b>	<b><u>Q1 2010/11</u></b>	<b><u>Q1 2009/10</u></b>	<b><u>Q4 2009/10</u></b>
Bank deposits and cash	<b>2,715</b>	2,103	2,439
Total Bank Borrowings	<b>478</b>	685	495
Net Cash Reserves	<b>2,237</b>	1,418	1,944
Days Inventory	<b>19</b>	15	18
Days Receivable	<b>28</b>	22	30
Days Payable	<b>70</b>	71	76
Cash Conversion Cycle	<b>-23 days</b>	-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
<b>China *</b>	<b>2,508</b>	50.1%	28.3%	<b>138</b>	105	108	<b>5.5%</b>	6.3%	5.5%
<b>Emerging Markets (Ex. China)</b>	<b>821</b>	79.6%	10.3%	<b>(25)</b>	(32)	(39)	<b>-3.0%</b>	-7.1%	-5.1%
<b>Mature Markets</b>	<b>1,818</b>	38.5%	12.4%	<b>0</b>	(37)	(6)	<b>0.0%</b>	-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**

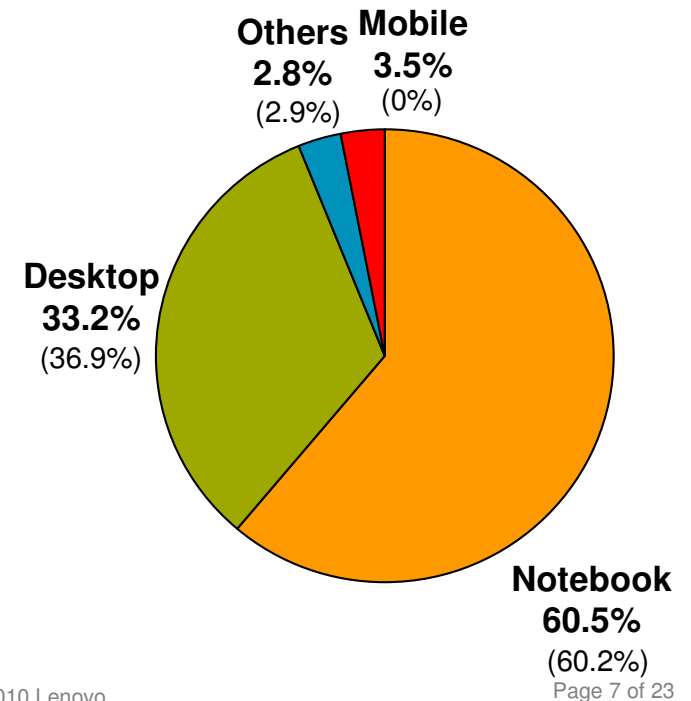
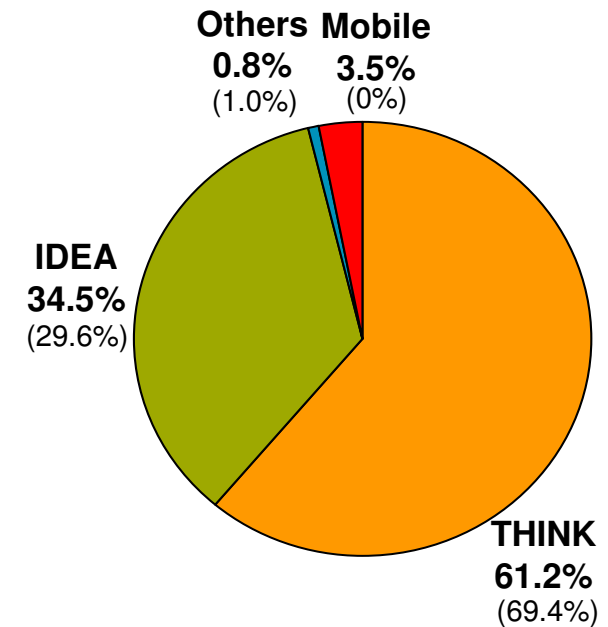
- Shipments up 58% YTY; Sales up 50% YTY
- Notebook market share gained 2.0 points to become the fourth largest notebook PC company

- 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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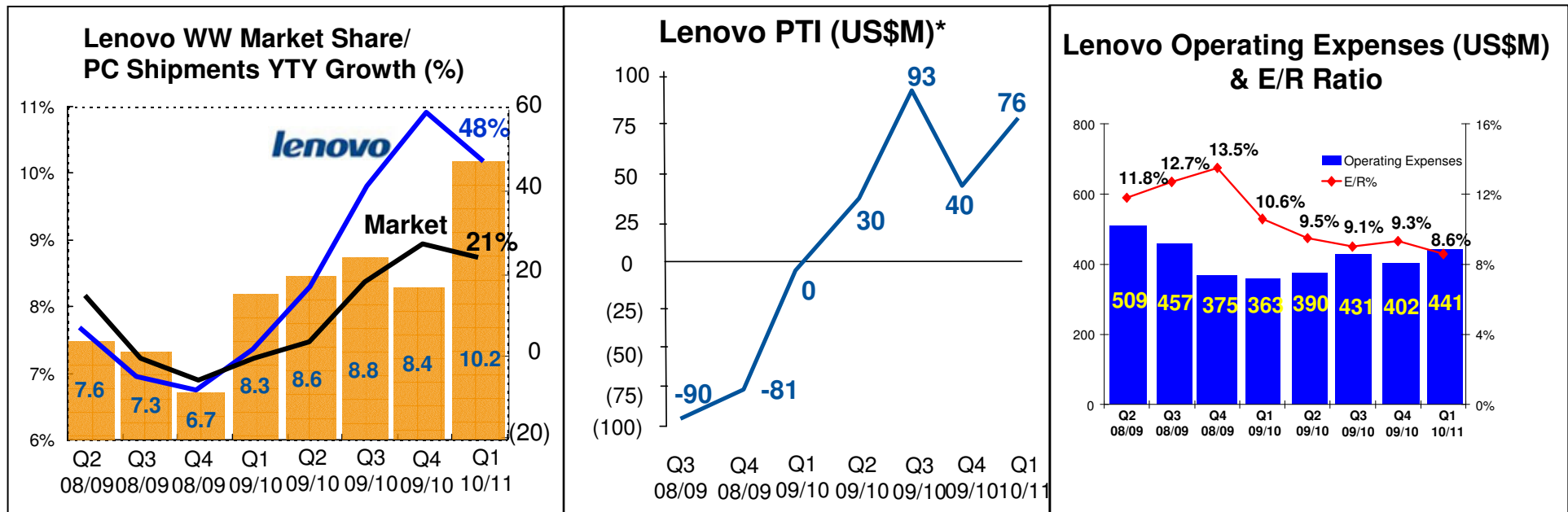
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**Yang Yuanqing**

**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

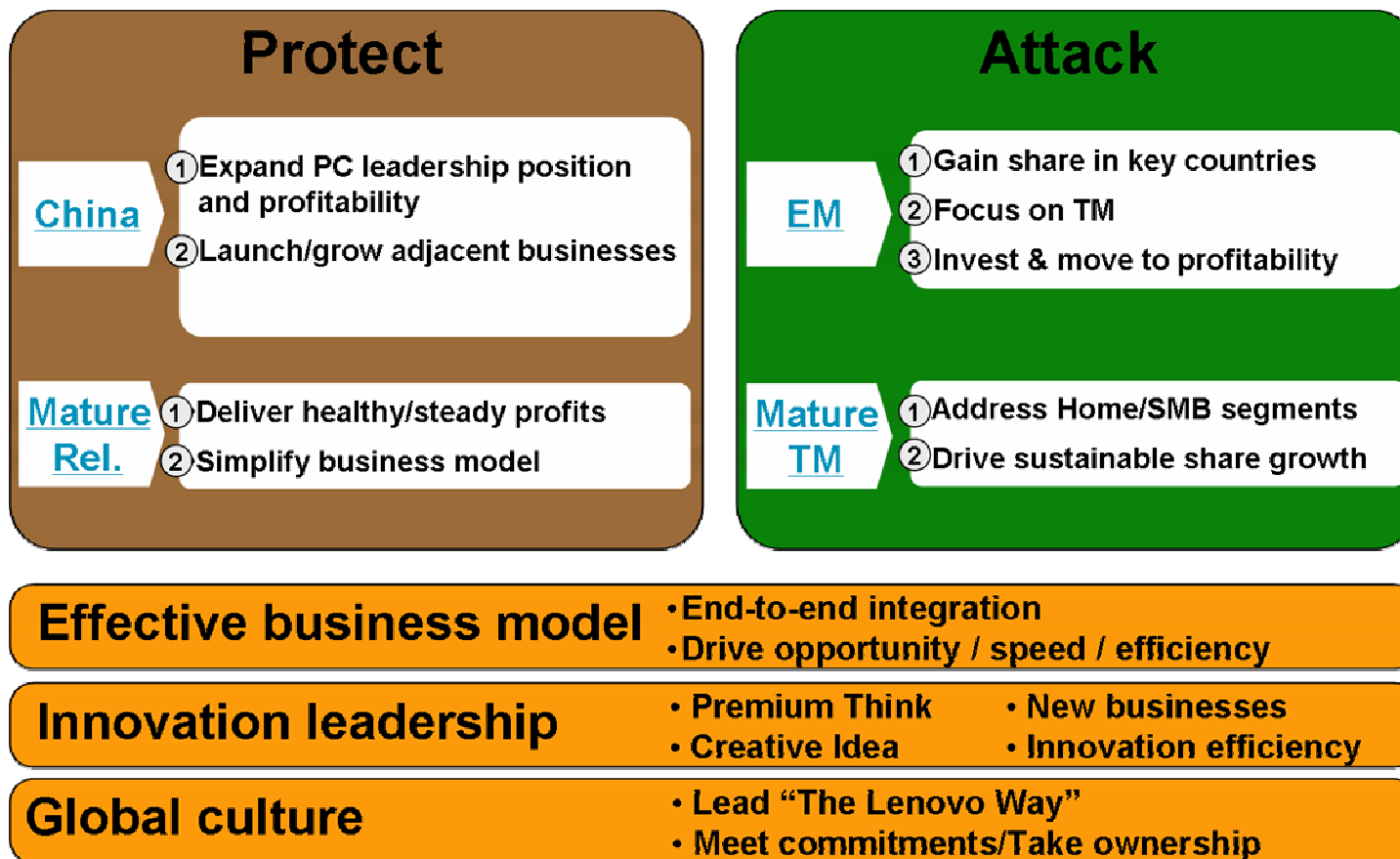


\* Excluded one-off item/restructuring cost

Sources: IDC and Internal Data

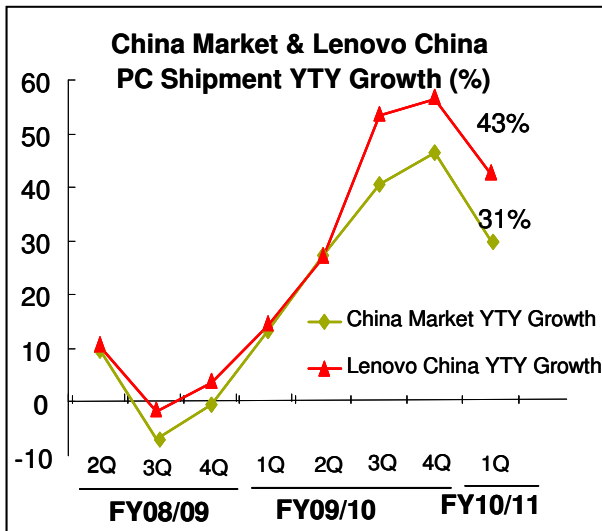
# Effective Execution of “Protect & Attack” Strategy

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

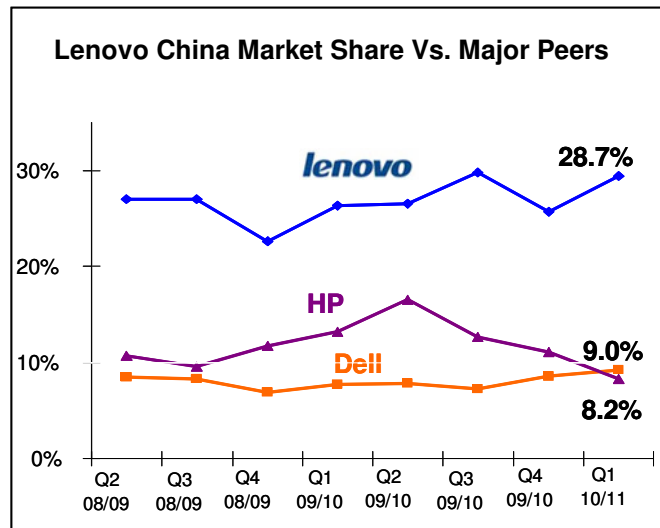


# Protect China Leadership

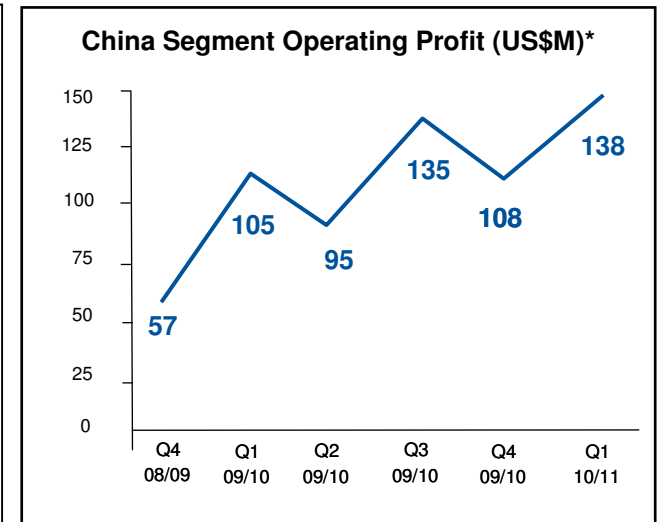
- Strengthened China leadership
  - Grew 43% YTY, gained 2.4 points market share YTY
  - Widened gap with competition
- Improved Segment Operating Profit by US\$33 million YTY



Source: IDC



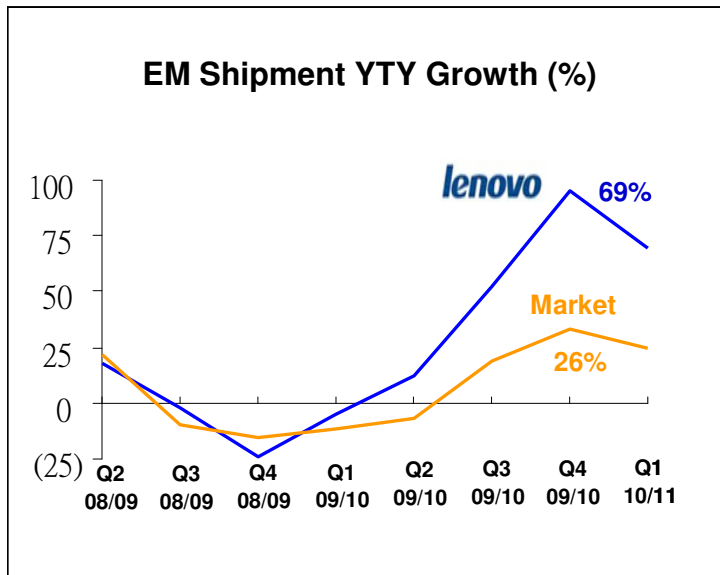
Source: IDC



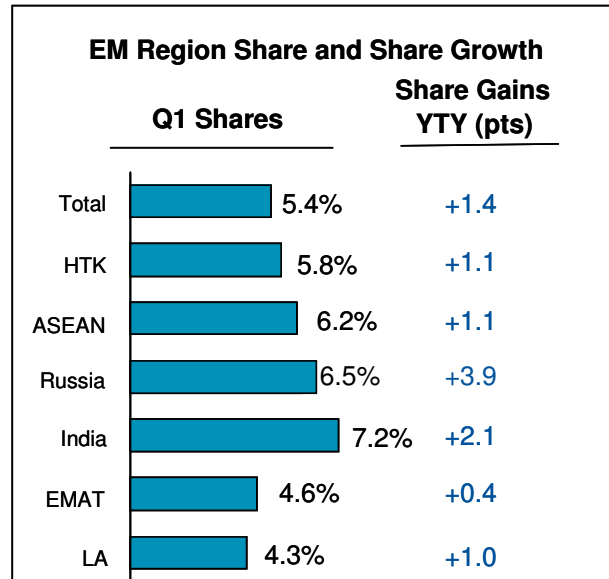
\* Excluded one-off item/restructuring cost

# Attack Emerging Markets

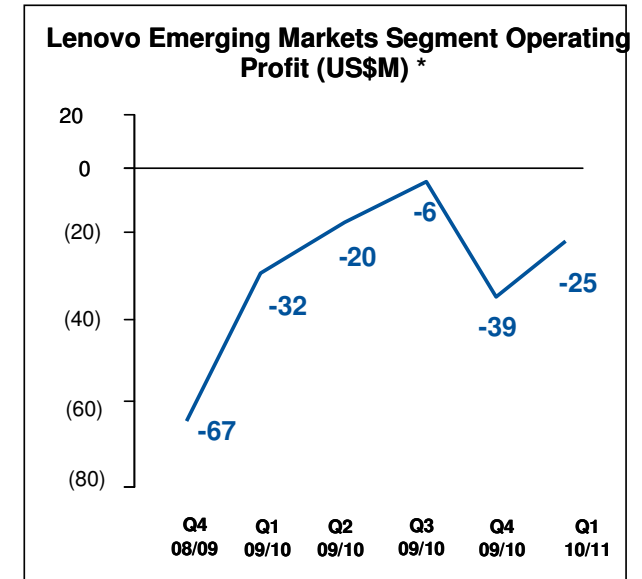
- Achieved rapid growth
  - Volume grew 69% YTY, gained 1.4 points market share YTY
  - Increased market share in all key emerging markets
- Improved Segment Operating Profit by US\$7 million YTY



Source: IDC



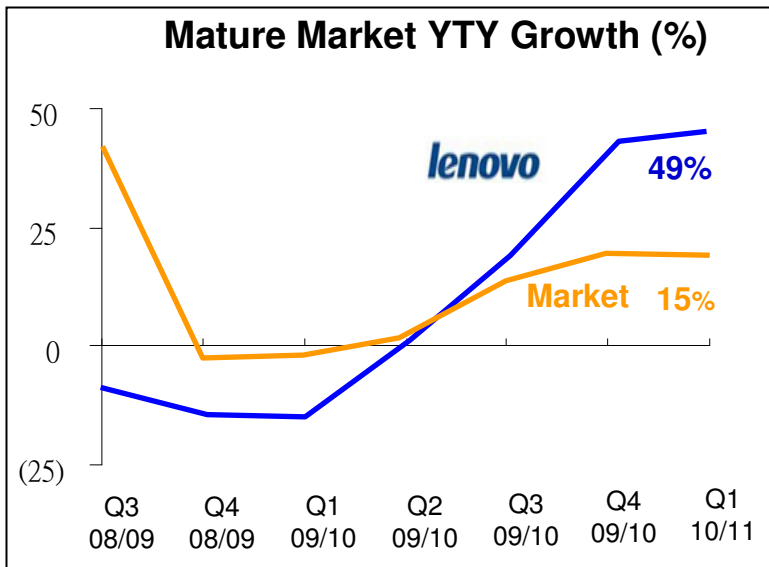
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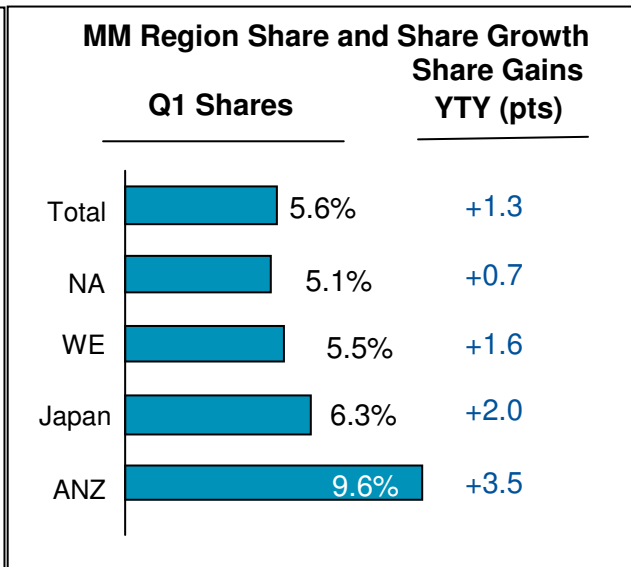
\* Excluded one-off item/restructuring cost

# Mature Markets: Protect Relationship, Attack Transactional

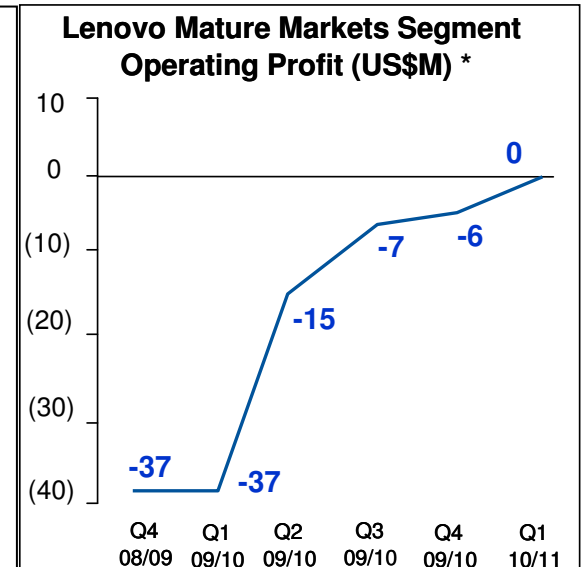
- Mature Market volume grew 49% YTY, gained 1.3 points market share YTY
  - Relationship volume grew 30% YTY, twice as fast as market
  - Transactional volume grew 60% YTY, 4 times as fast as market
- Achieved break-even for first time since economic downturn



Source: IDC



Source: IDC

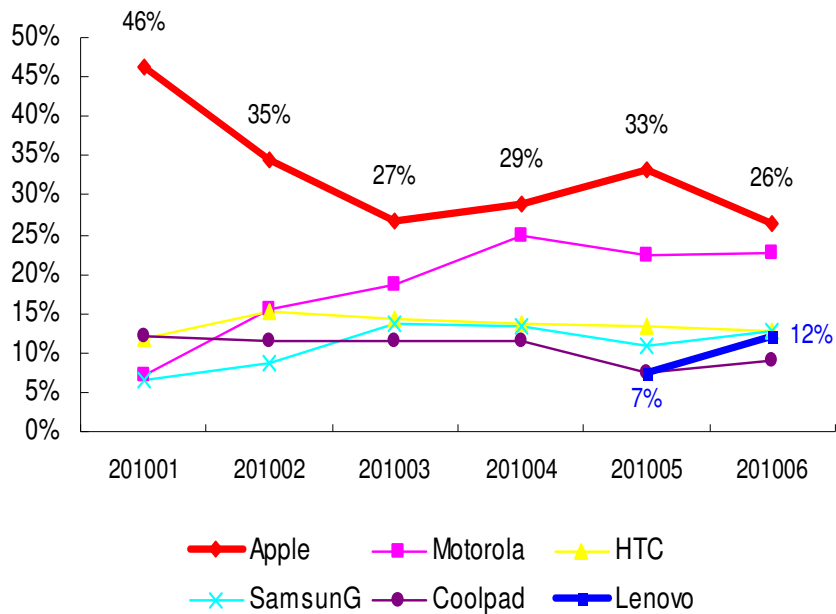


\* Excluded one-off item/restructuring cost

# 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**

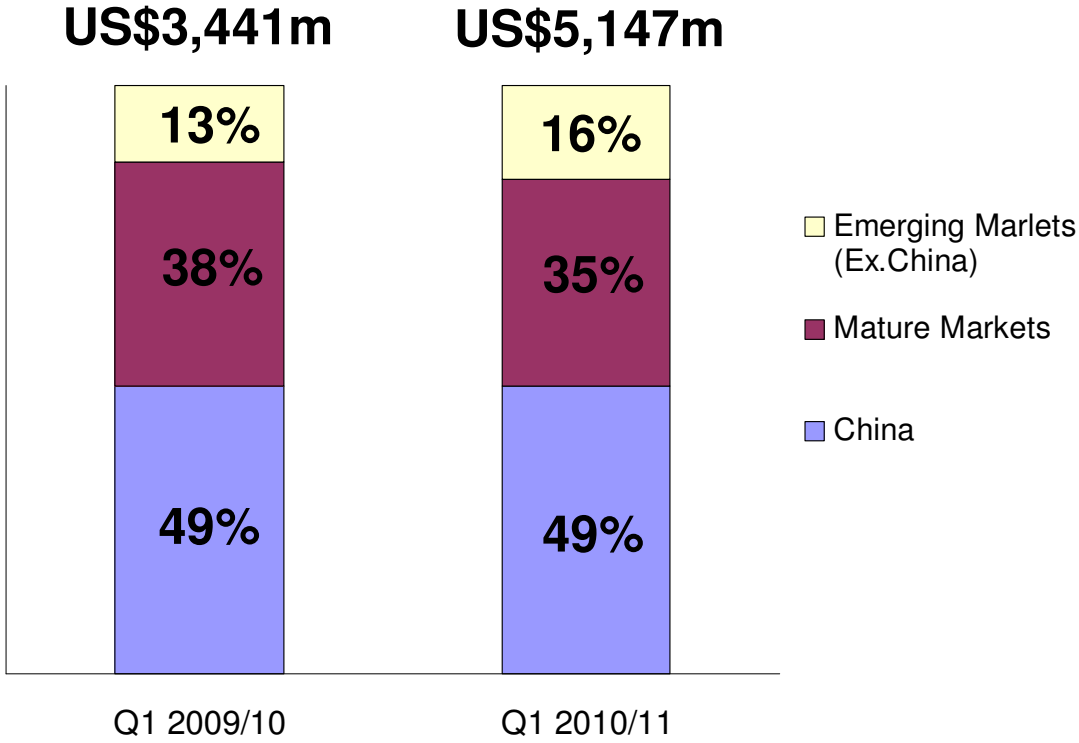
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## Appendix

- 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	<b>315</b>	237
Net cash generated from/(used in) investing activities	<b>87</b>	(211)
Net cash used in financing activities	<b>(34)</b>	-
Increase in cash and cash equivalents	<b>368</b>	26
Effect of foreign exchange rate changes	<b>11</b>	10
Cash and cash equivalents at the beginning of the period	<b>2,238</b>	1,863
Cash and cash equivalents at the end of the period	<b>2,617</b>	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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