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# Lenovo Group Limited

*Credit Suisse's China Investment  
Conference 2010*

Shanghai | Jun 23, 2010

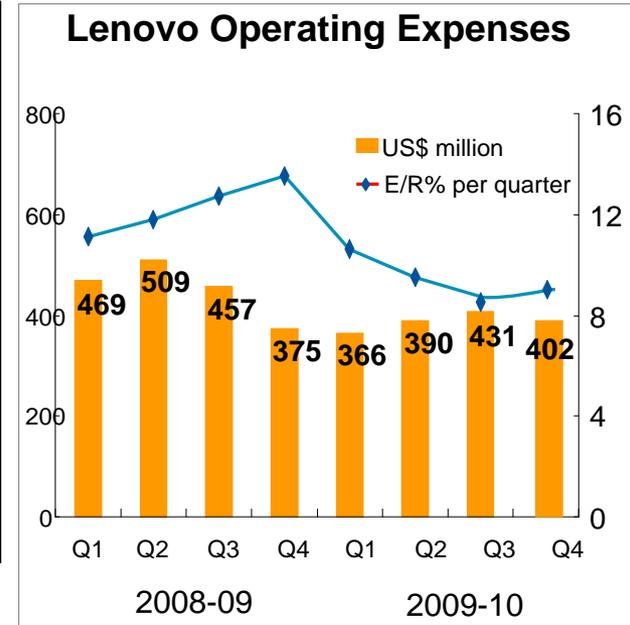
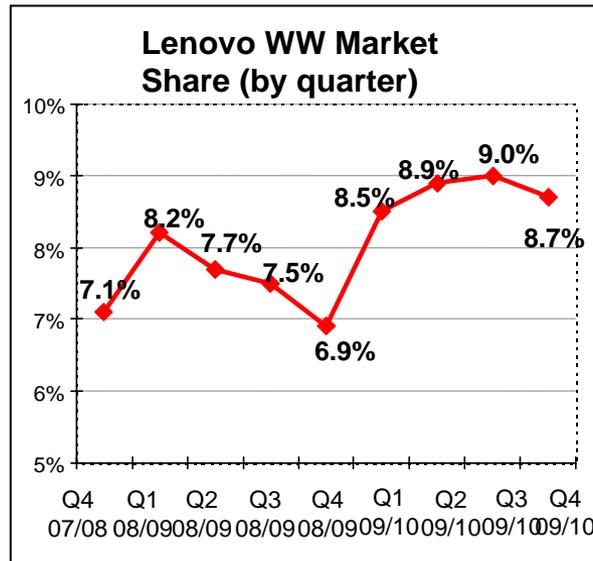
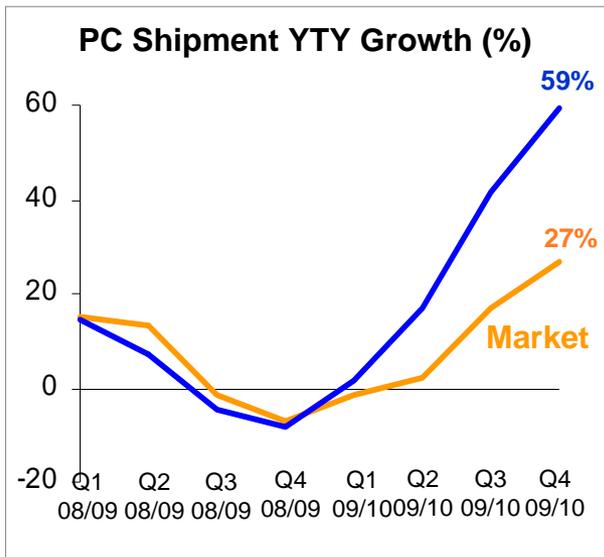
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# Business Review & Strategies

# Fastest Growing Major PC Manufacturer Again in Q4

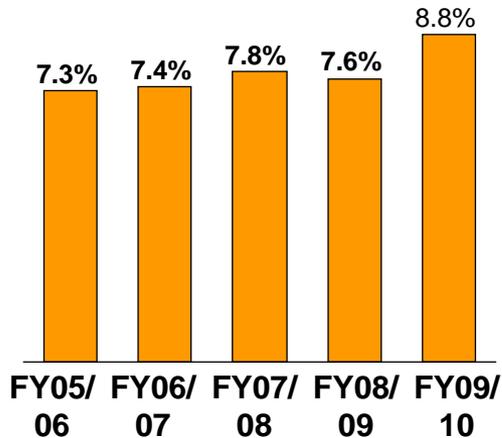
- Grew twice as fast as worldwide market, 59% versus 27%
- Worldwide market share at 8.7%, up 1.7 points year-to-year
- Remained profitable and efficient, with E/R at 9.3%



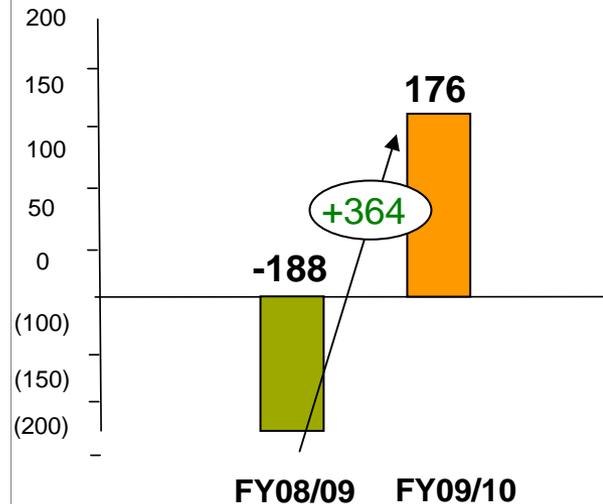
# Decisive Actions Led to Year's Performance Turnaround

- Worldwide Market Share up 1.2 points to 8.8%, an all-time high
- Returned to Profitability, with PTI of US\$176m
- E/R reduced to 9.6%, improvement of 2.1 points

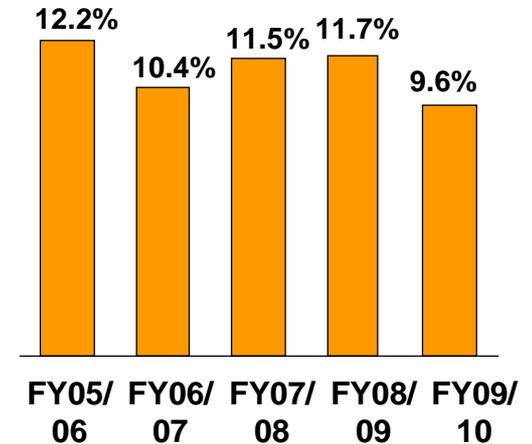
Lenovo WW Market Share by Fiscal Year



Lenovo PTI by Fiscal Year (US\$M)

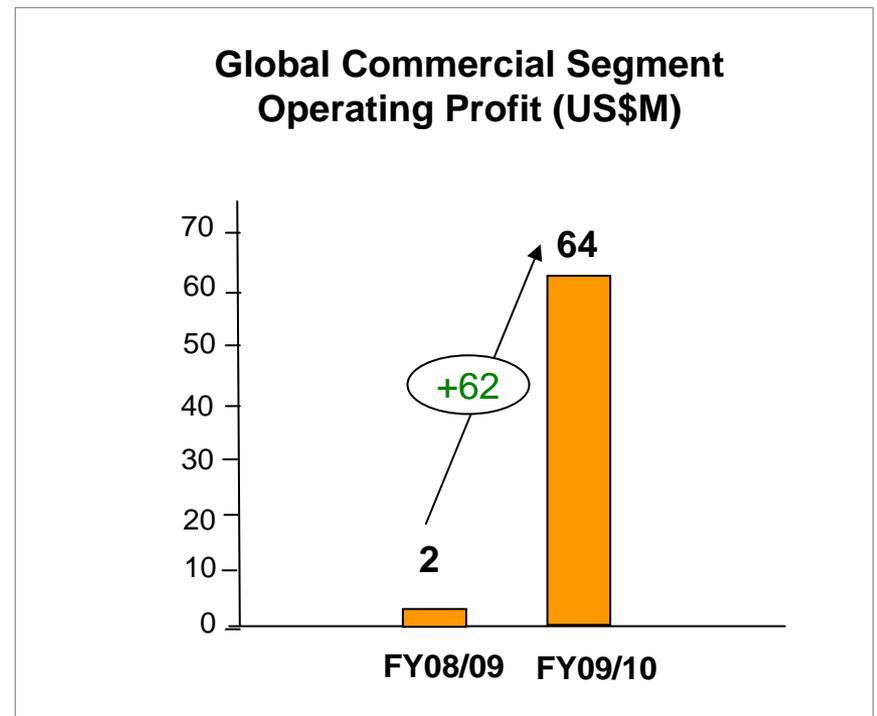
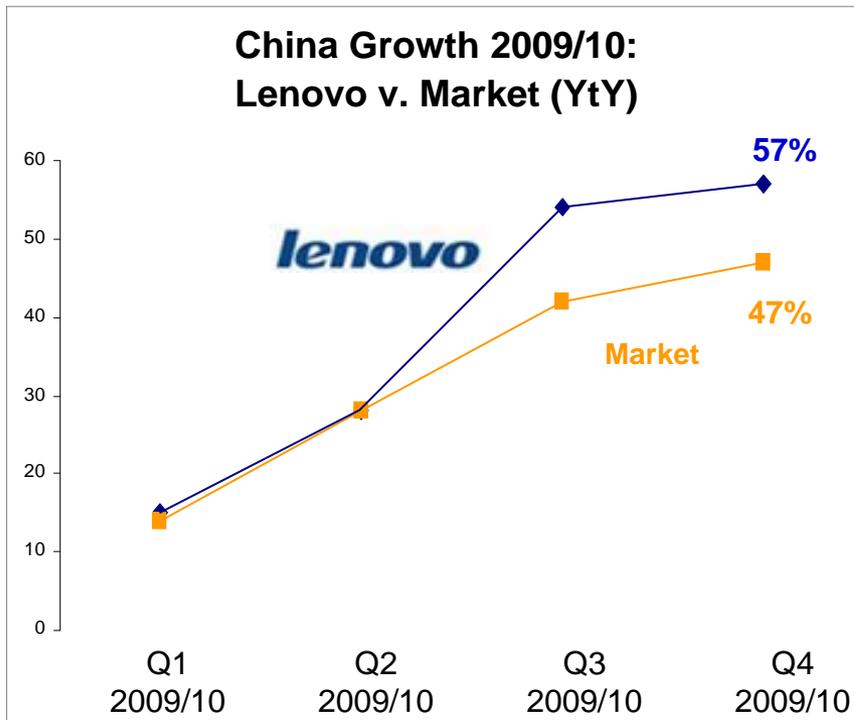


Lenovo E/R by Fiscal Year



# Success Across Protect/Attack in Fiscal Year

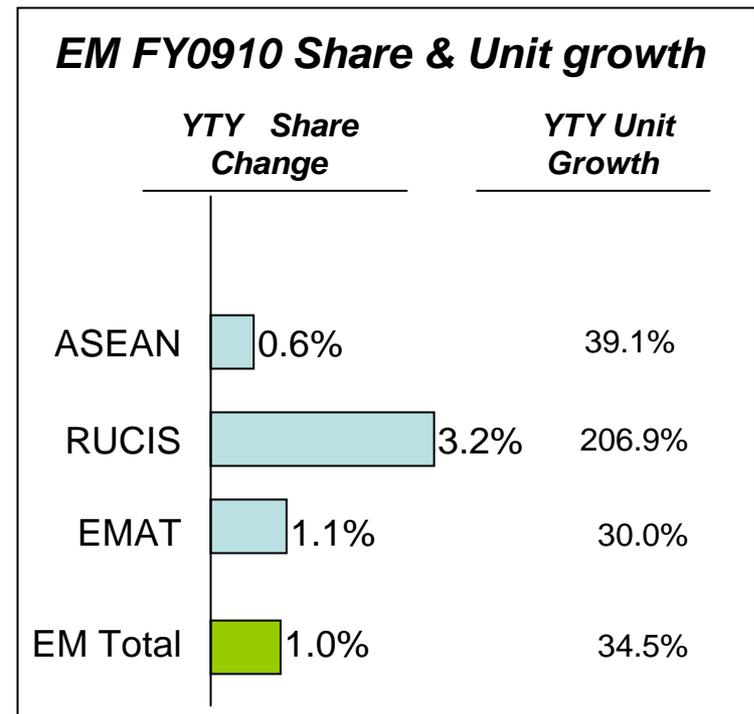
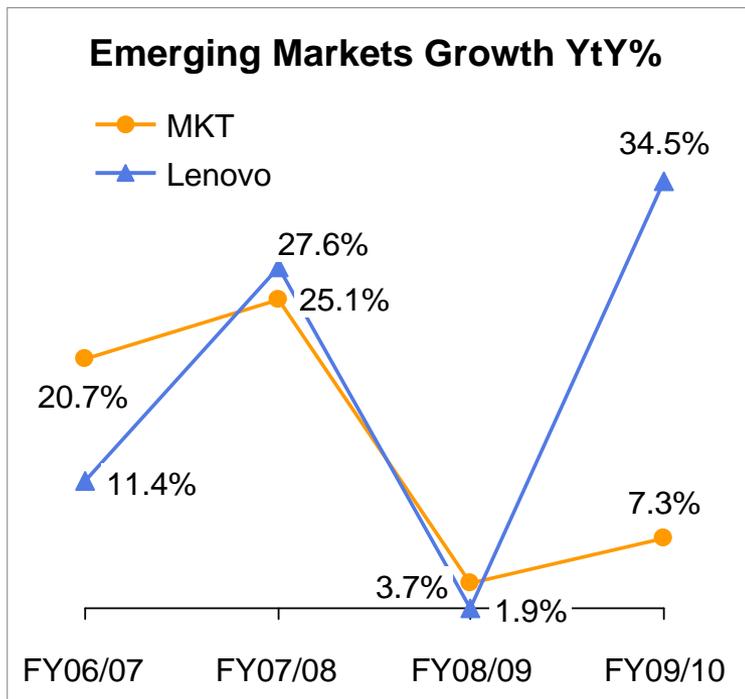
- Protect China: Outperformed market all four quarters, improved profitability
- Protect Global Commercial: Improved PTI US\$62 million



Source: Industry and internal estimates

# Success Across Protect/Attack in Fiscal Year

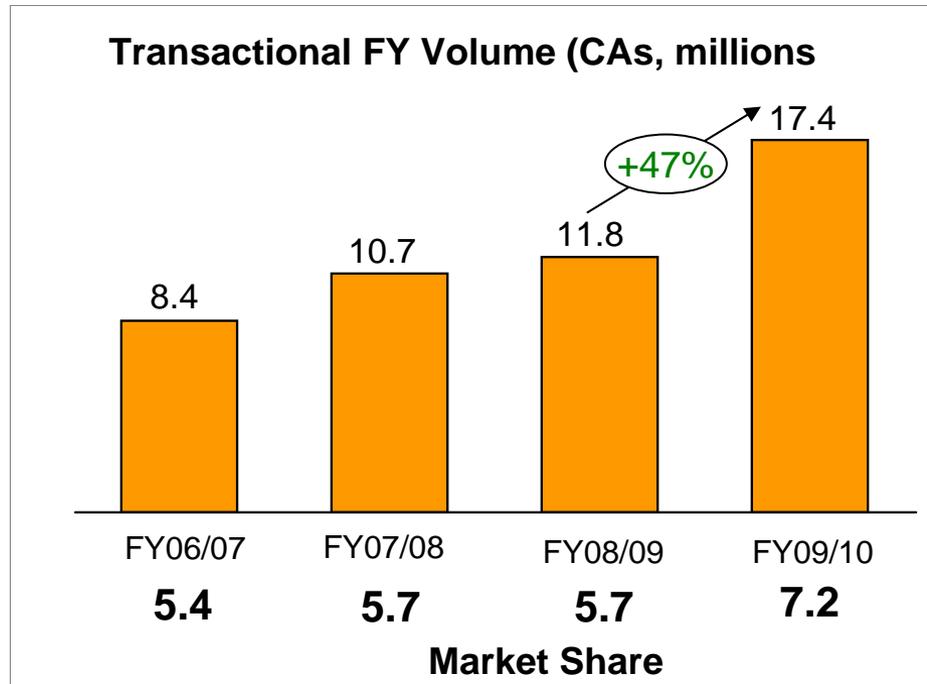
- Attack Emerging Markets: Reached 4.8% share, significantly outgrew the market



Source: Industry and internal estimates

# Success Across Protect/Attack in Fiscal Year

- Attack Global Transactional: Outgrew market, drove company's worldwide gains

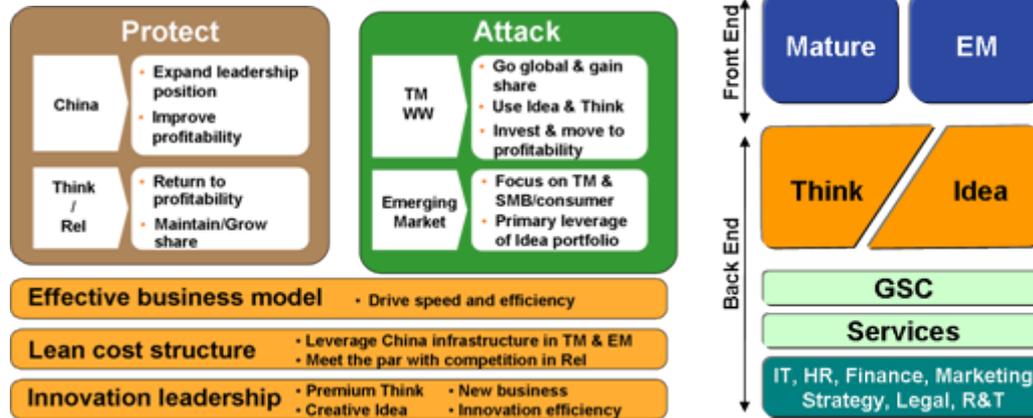


Source: Industry and internal estimates

# Factors for Growth: Why Our Growth is Accelerating

- Strategy is working, strong Execution
- Fast and effective decision-making system
- Strengthened business models
- Fully leveraged the advantage of innovation leadership
- Culture of delivering on commitments taking hold

## 2009/10 Lenovo Strategy



## Lenovo Way



# Protect/Attack for 2010-2011: PCs and Beyond

## Protect

**China**

- ① Expand PC leadership position and profitability
- ② Launch/grow adjacent businesses

**Mature Rel.**

- ① Deliver healthy/steady profits
- ② Simplify business model

## Attack

**EM**

- ① Gain share in key countries
- ② Focus on TM
- ③ Invest & move to profitability

**Mature TM**

- ① Address Home/SMB segments
- ② Drive sustainable share growth

- Effective business model**
  - End-to-end integration
  - Drive opportunity / speed / efficiency
- Innovation leadership**
  - Premium Think
  - Creative Idea
  - New businesses
  - Innovation efficiency
- Global culture**
  - Lead “The Lenovo Way”
  - Meet commitments/Take ownership

# Protect China Market Leadership

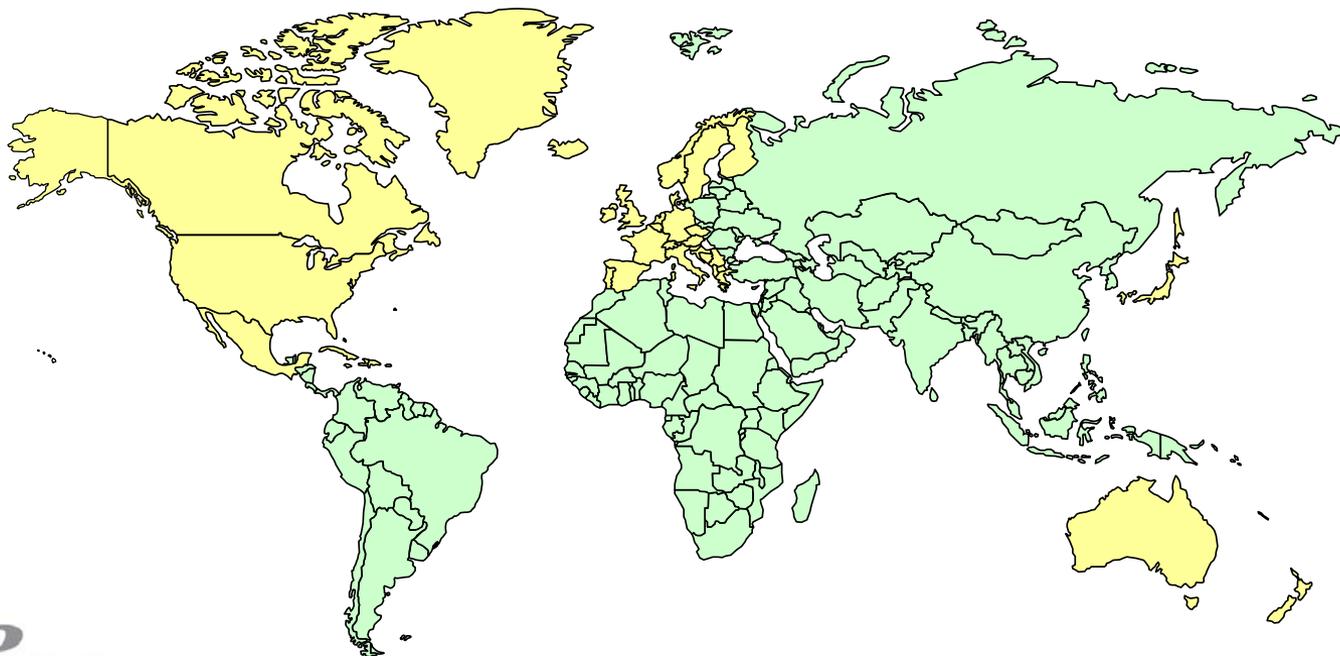
- PCs: Extend leadership position
  - Creatively segment market into mature and emerging
- Beyond PCs: Aggressively expand into mobile internet space
  - Launched new smartphone in Partnership with China Unicom
  - LePhone available in 5000 stores across China



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# Attacking Emerging Markets

- Gain market share, achieve substantial market positions in key countries
  - India, Russia, Turkey, Poland among key markets
  - Goal of double-digit share in 1-2 years
- Will continue to invest in gaining share now, then improve profitability

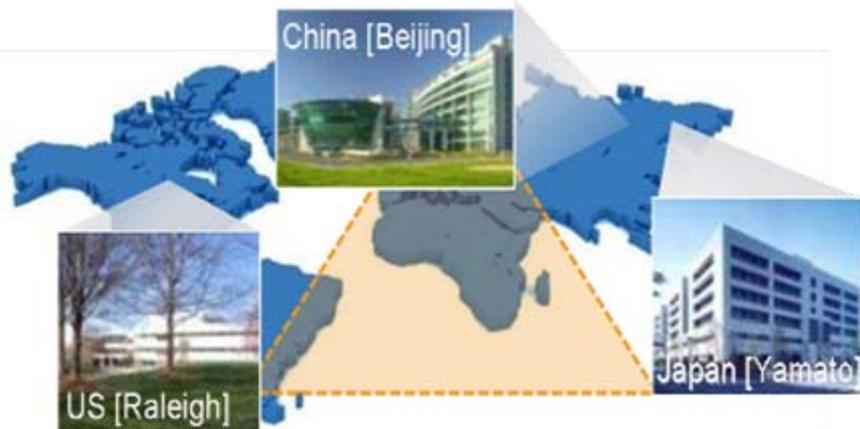


# Mature Markets: Protect Relationship, Attack Transactional

- Relationship business: Drive healthier, steadier profits
- Transactional business: Investing to gain share

# Enhancing Business Model, Innovation, Culture Competitiveness

- Further enhance end-to-end integration of dual business model
- Continue commitment to innovation as differentiator
- Deepen company culture of delivering on commitments



**COMMITMENT**  
We do what we say.  
说到做到,

We **PLAN** before we pledge.  
想清楚再承诺

We **PERFORM** as we promise.  
承诺就要兑现



**OWNERSHIP**  
We own what we do.  
尽心尽力

We **PRIORITIZE** company first.  
公司利益至上

We **PRACTICE** improving every day.  
每一年每一天我们都在进步

# Outlook for the Year Ahead

- Market Outlook
  - Strong growth in China and other Emerging Markets
  - Mature Markets gradually recovering, but uncertainty remains
  - New technology development brings growth opportunities
- Lenovo Actions
  - Fully leverage positive market trends, execute strategy, grow core PC business
  - Grasp opportunities in new technology, build mobile internet business

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# Financial Review

# Financial Summary

US\$ Million	Q4 FY2009/10	Q4 FY2008/09	Y/Y	Q/Q	FY2009/10	Y/Y
Sales	<b>4,317</b>	2,771	1,546	(442)	<b>16,605</b>	1,704
Gross Profit*	<b>449</b>	299	150	(81)	<b>1,790</b>	(44)
Operating Expenses*	<b>(402)</b>	(375)	(27)	29	<b>(1,586)</b>	224
Operating Profit/(Loss)*	<b>47</b>	(76)	123	(52)	<b>204</b>	180
Other Non-Operating Income/(Expenses)	<b>(7)</b>	(5)	(2)	(1)	<b>(43)</b>	(46)
Pre-tax Income/(Loss)*	<b>40</b>	(81)	121	(53)	<b>161</b>	133
One-off costs	<b>(20)</b>	(187)	167	23	<b>(68)</b>	148
Other (expense)/income, net	<b>0</b>	-	-	(43)	<b>83</b>	82
Pre-tax Income/(Loss)	<b>20</b>	(268)	288	(74)	<b>176</b>	364
Taxation	<b>(7)</b>	4	(11)	7	<b>(47)</b>	(9)
Profit/(Loss) attributable to Equity Holders	<b>13</b>	(264)	277	(67)	<b>129</b>	355
EPS (US cents)						
- Basic	<b>0.14</b>	(2.98)	3.12	(0.72)	<b>1.42</b>	3.98
- Diluted	<b>0.13</b>	(2.98)	3.11	(0.66)	<b>1.33</b>	3.89
Dividend per share (HK cents)					<b>5.5</b>	2.5

	Q4 2009/10	Q4 2008/09	Q3 2009/10
Gross margin*	<b>10.4%</b>	10.8%	11.1%
E/R ratio*	<b>9.3%</b>	13.5%	9.0%
Operating margin*	<b>1.1%</b>	-2.7%	2.1%
PTI margin*	<b>0.9%</b>	-2.9%	2.0%
Net margin	<b>0.3%</b>	-9.5%	1.7%

**lenovo** \* Excludes restructuring costs & one-off items

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# Condensed Balance Sheet

US\$ Million	<b>As at Mar 31, 2010</b>	<b>As at Mar 31, 2009</b>
Non-current assets	<b>2,720</b>	2,521
Property, plant and equipment	<b>248</b>	314
Intangible assets	<b>2,066</b>	1,853
Others	<b>406</b>	354
Current assets	<b>6,235</b>	4,101
Bank deposits and cash	<b>2,439</b>	1,863
Account receivables	<b>2,871</b>	1,738
Inventories	<b>879</b>	450
Others	<b>46</b>	50
Current liabilities	<b>6,418</b>	4,467
Short-term bank loans	<b>65</b>	20
Account payables	<b>5,822</b>	3,705
Current portion of non-current liabilities	<b>437</b>	641
Others	<b>95</b>	101
Net current liabilities	<b>(184)</b>	(366)
Non-current liabilities	<b>931</b>	844
Total equity	<b>1,606</b>	1,311

# Cash and Working Capital

<b>US\$ Million</b>	<b><u>Q4 2009/10</u></b>	<b><u>Q4 2008/09</u></b>	<b><u>FY 2009/10</u></b>	<b><u>FY 2008/09</u></b>
Bank deposits and cash	2,439	1,863	2,439	1,863
Total Bank Borrowings	<u>495</u>	<u>685</u>	<u>495</u>	<u>685</u>
Net Cash Reserves	1,944	1,178	1,944	1,178
Days Inventory	18	17	15	16
Days Receivable	30	33	24	30
Days Payable	76	76	69	69
Cash Conversion Cycle	-28 days	-26 days	-30 days	-23 days

# Q4 Geography Summary

- **China**
  - Shipments up 57% YTY; Market share gained 2 points to 28.7%
  - Robust growth was driven by Consumer Notebooks
  - Extend leadership position
- **Emerging Markets (Excluding China)**
  - Shipments up 95% YTY; Market share gained 1.6 points to 5.0%
  - Gained shares across the region, including Russia, India, EMAT, ASEAN
- **Mature Markets**
  - Shipments up 45% YTY; Market share gained 0.9 points to 4.7%
  - Expansion in transaction model established strong foundation

(Exclude one-off items)	Sales US\$m			Segment Operating Profit/(Loss) US\$m			Segment Operating Profit Margin		
	Q4 10	Y/Y	Q/Q	Q4 10	Q4 09	Q3 10	Q4 10	Q4 09	Q3 10
China*	1,955	66.8%	-14.0%	108	57	135	5.5%	4.9%	6.0%
Emerging Markets (Excluding China)	744	91.3%	-10.6%	(38)	(67)	(6)	-5.1%	-17.3%	-0.7%
Mature Markets	1,618	33.7%	-2.2%	(6)	(37)	(7)	-0.4%	-3.0%	-0.4%

# Q4 Product Performance

- **Idea**

- Shipment up 86% YTY; Sales up 94% YTY
- Launched IdeaCentre A300

- **Think**

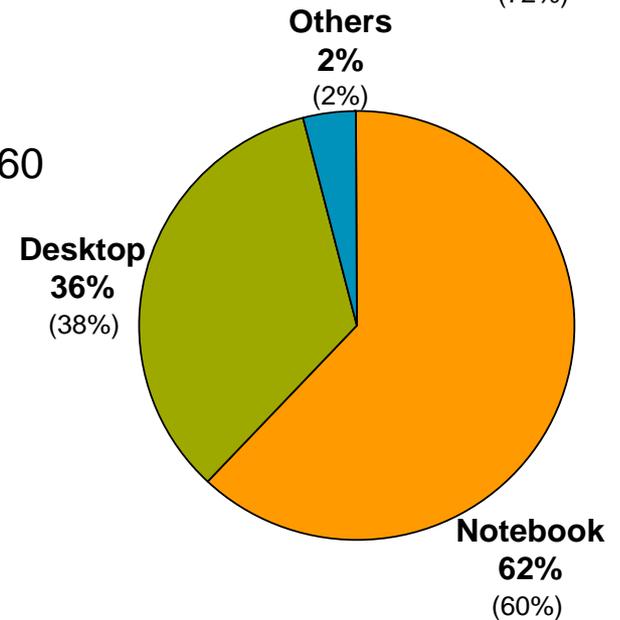
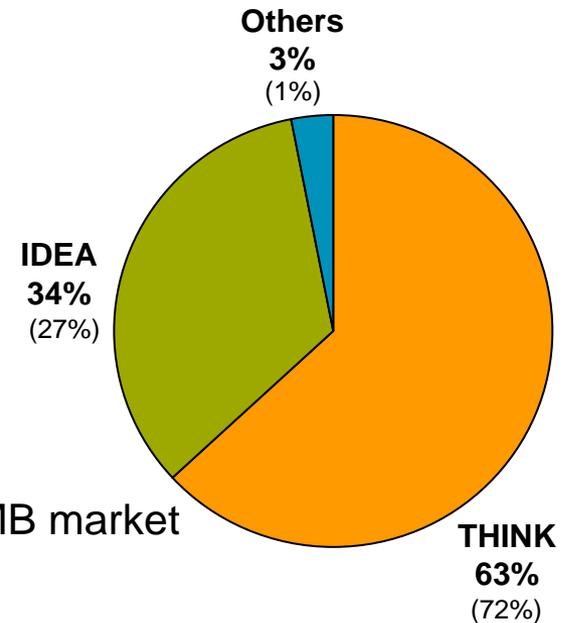
- Shipment up 43% YTY; Sales up 37% YTY
- Launched Edge products and x100e to address SMB market

- **Notebook**

- Shipments up 76% YTY; Sales up 59% YTY
- Drove the winning portfolio, such as Y460 and Y560

- **Desktop**

- Shipments up 40% YTY; Sales up 41% YTY
- Delivered the full range of AIO portfolio



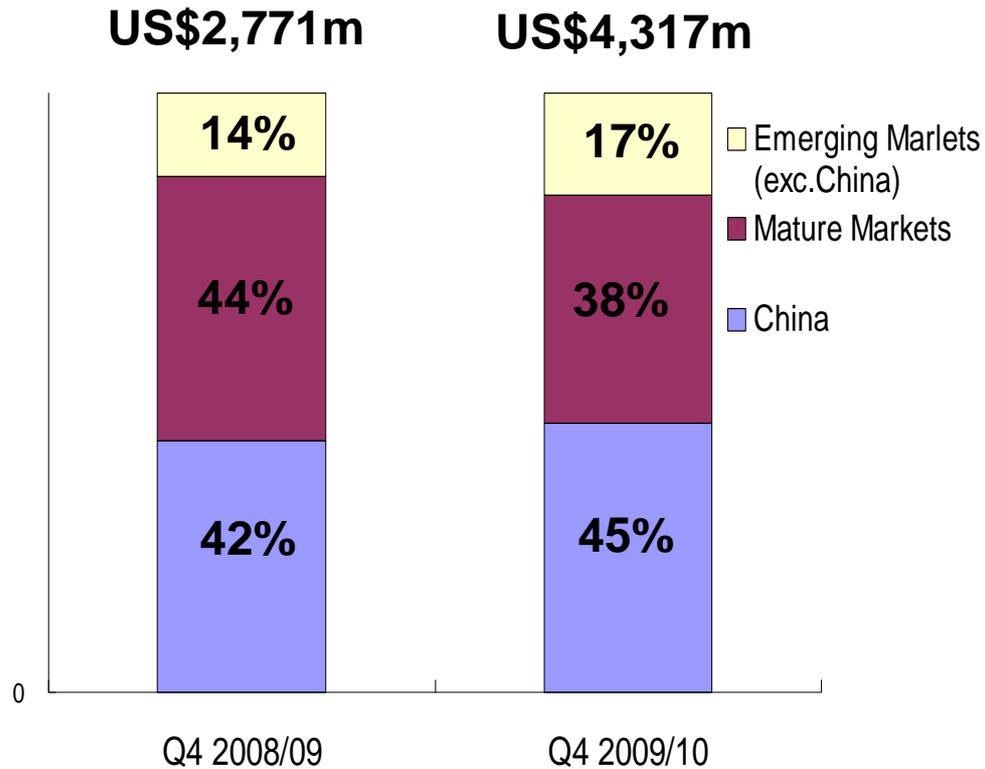
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## Appendix

- Sales Breakdown
- FY 2009/10 Geography Summary
- Income Statement
- Cash Flow Statement

# Sales Breakdown



**Balanced geographic mix**

# FY 2009/10 Geography Summary

(Excluding restructuring charges & one-off items)

	Sales US\$mn			Segment Operating Profit/(Loss) US\$mn		Segment Operating Profit Margin	
	FY 2009/10	FY 2008/09	Y/Y	FY 2009/10	FY 2008/09	FY 2009/10	FY 2008/09
<b>China*</b>	<b>7,892</b>	6,224	26.8%	<b>444</b>	378	<b>5.6%</b>	6.1%
<b>Emerging Markets (Excluding China)</b>	<b>2,640</b>	2,353	12.2%	<b>(97)</b>	(107)	<b>-3.7%</b>	-4.6%
<b>Mature Markets</b>	<b>6,073</b>	6,324	-4.0%	<b>(65)</b>	(137)	<b>-1.1%</b>	-2.2%

\* Included two months of contribution from acquired Lenovo Mobile

# Consolidated Income Statement

US\$ Million	Q4 2009/10	FY 2009/10	Q4 2008/09	FY 2008/09
Sales	4,317	16,605	2,771	14,901
Cost of sales	(3,868)	(14,815)	(2,508)	(13,104)
Gross profit	449	1,790	262	1,797
Other income, net	-	83	-	1
Selling and distribution expenses	(213)	(840)	(185)	(938)
Administrative expenses	(155)	(566)	(143)	(628)
Research and development expenses	(56)	(214)	(74)	(220)
Other operating income/(expense) - net	3	(34)	(124)	(204)
Operating profit/(loss)	28	219	(263)	(192)
Finance income	5	20	7	60
Finance costs	(13)	(63)	(12)	(56)
Share of gains of associated companies	0	0	(0)	0
Profit/(Loss) before taxation	20	176	(268)	(188)
Taxation	(7)	(47)	4	(38)
Profit/(Loss) attributable to:				
Equity holders of the company	13	129	(264)	(226)
Dividend	-	69	-	36
Earnings/(Loss) per share (US cents)				
- Basic	0.14	1.42	(2.98)	(2.56)
- Diluted	0.13	1.33	(2.98)	(2.56)

# Condensed Consolidated Cash Flow Statement

US\$ Million	FY 2009/10	FY 2008/09
Net cash generated from/(used in) operating activities	<b>918</b>	(97)
Net cash (used in)/generated from investing activities	<b>(255)</b>	432
Net cash used in financing activities	<b>(217)</b>	(116)
Increase in cash and cash equivalents	<b>446</b>	219
Effect of foreign exchange rate changes	<b>(71)</b>	(7)
Cash and cash equivalents at the beginning of the year	<b>1,863</b>	1,651
Cash and cash equivalents at the end of the year	<b>2,238</b>	1,863

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

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