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Lenovo Group Limited

FY2010/11 Q2 Results

November 10, 2010

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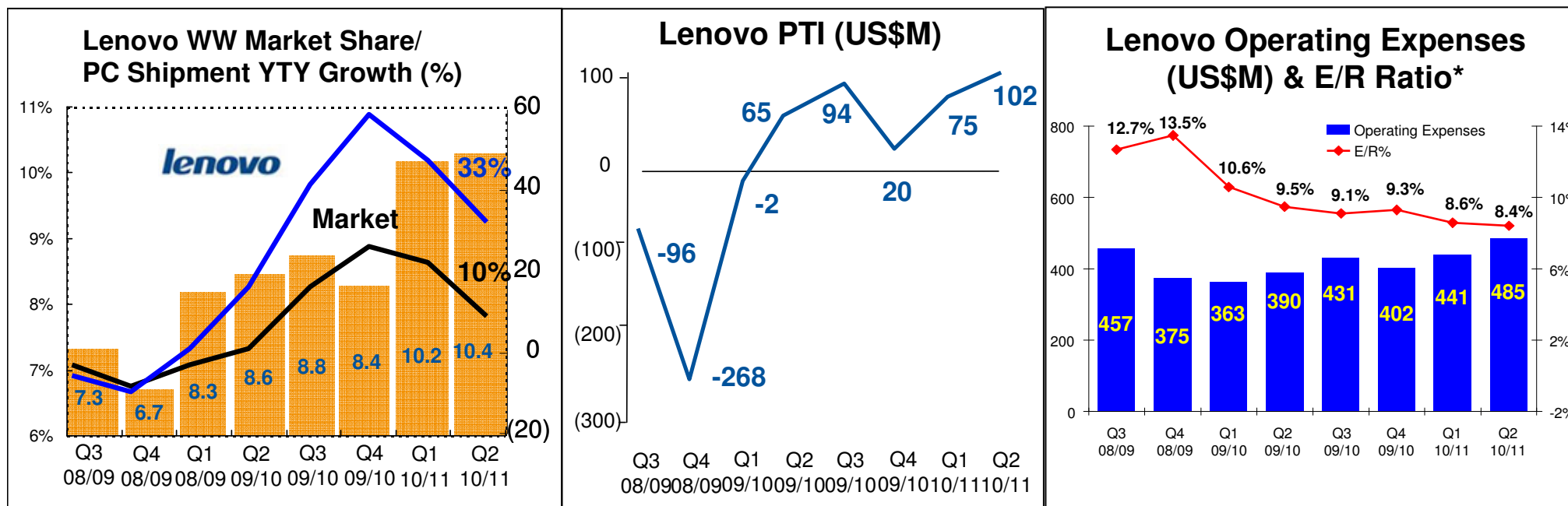
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Yang Yuanqing

Chief Executive Officer

Fastest Growing PC Company, Record Worldwide Market Share

- Market share: 10.4%, up 1.8 points year-to-year
- Improved profitability: PTI of \$102 million USD, up \$37 million USD YTY
- Lowest E/R since acquisition: 8.4%, drop of 1.1 points YTY

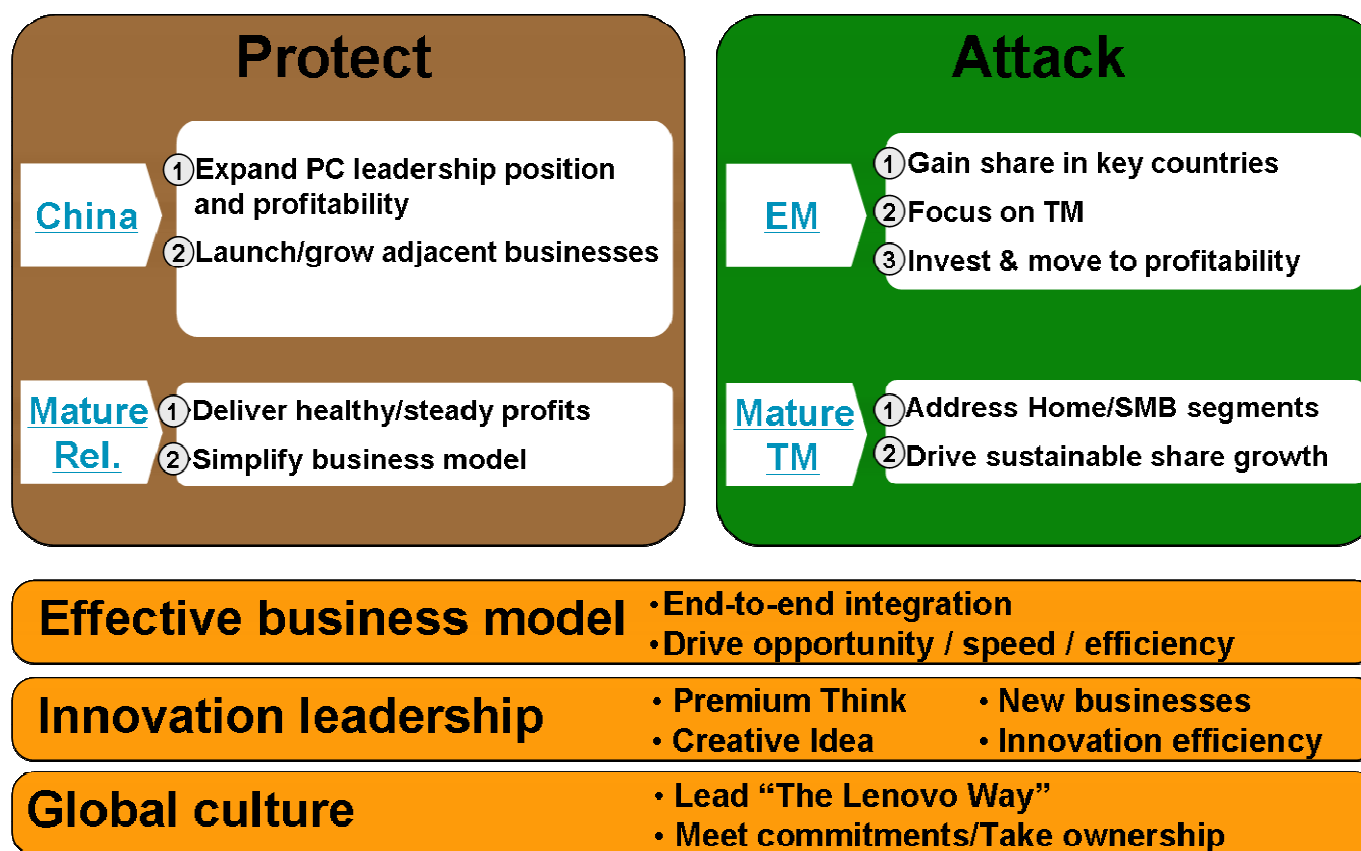


Source: IDC and Internal Data

* Excludes one-off/restructuring items

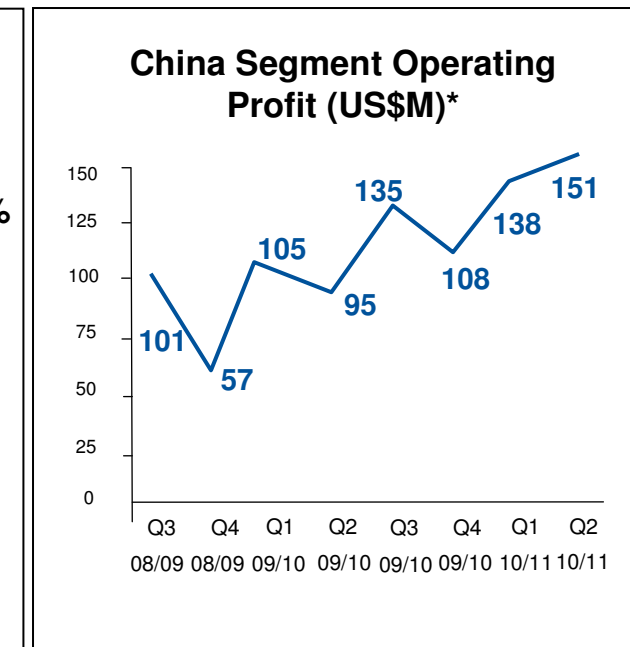
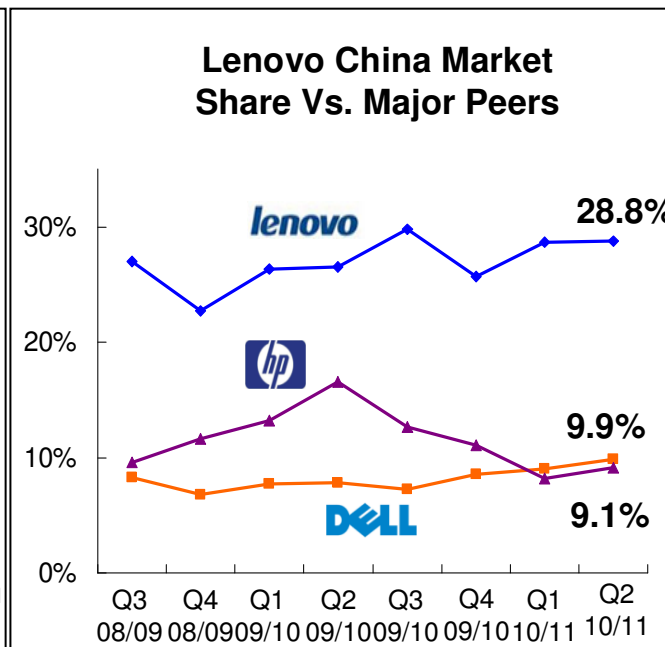
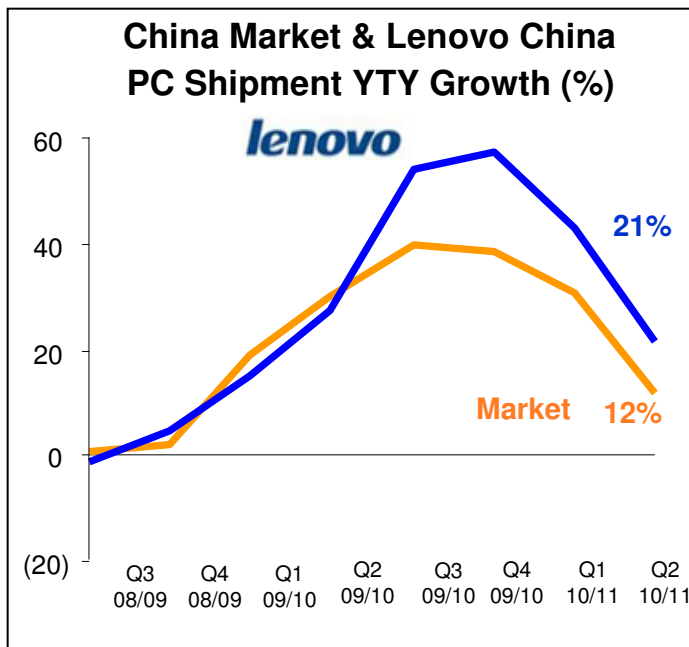
Balanced Growth Came From Effective Strategy Execution

- Protect & Attack strategy aligned with our dual engines
 - All Geos – not just China – gained share and improved profitability
 - Outgrew market in all product types and customer segments



Protect China Leadership

- Strengthened China leadership
 - Grew 21% YTY, gained 2.3 points market share YTY
 - Sustained wide gap with competition
- Improved Segment Operating Profit \$56 million USD YTY

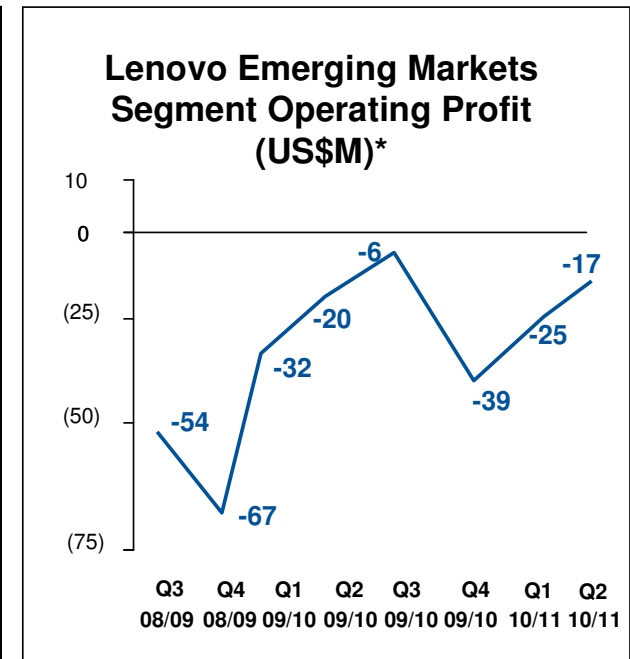
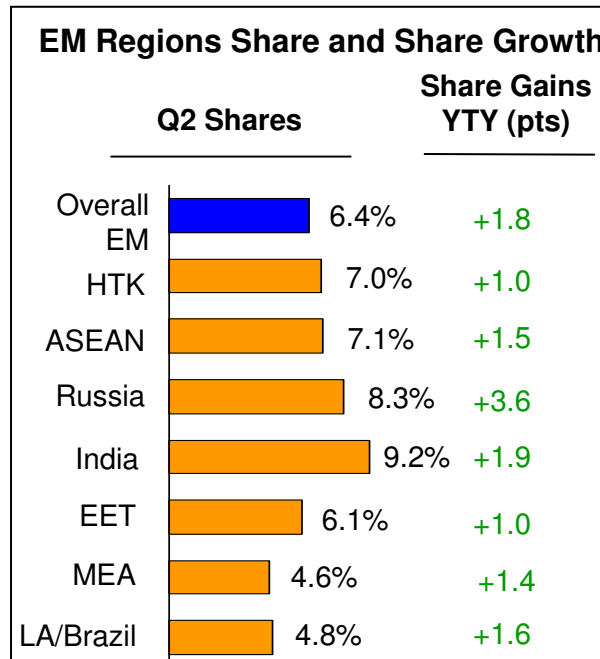
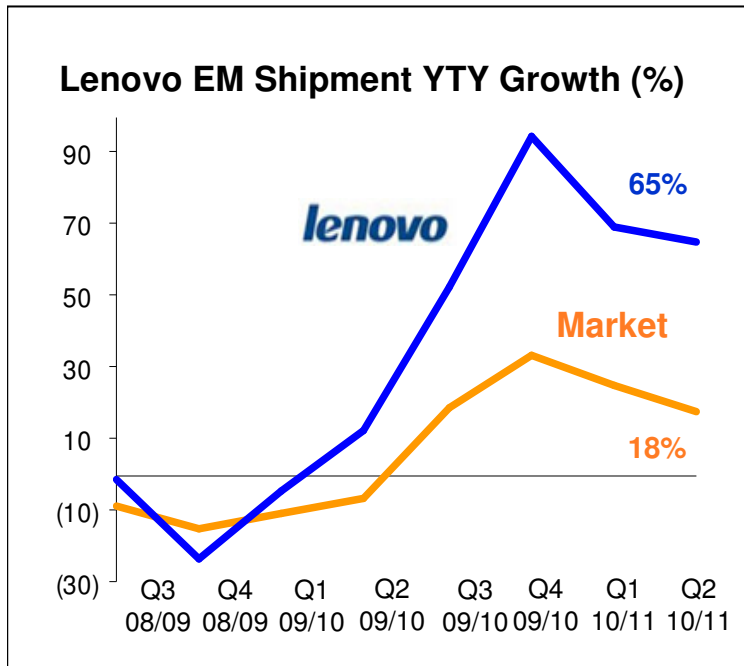


Source: IDC and Internal Data

* Excluding One-off and Restructuring Charges

Attack Emerging Markets

- Achieved rapid growth
 - Volume grew 65% YTY, gained 1.8 points market share YTY
 - Increased market share in all key emerging regions
- Improved Segment Operating Profit by \$3 million USD YTY

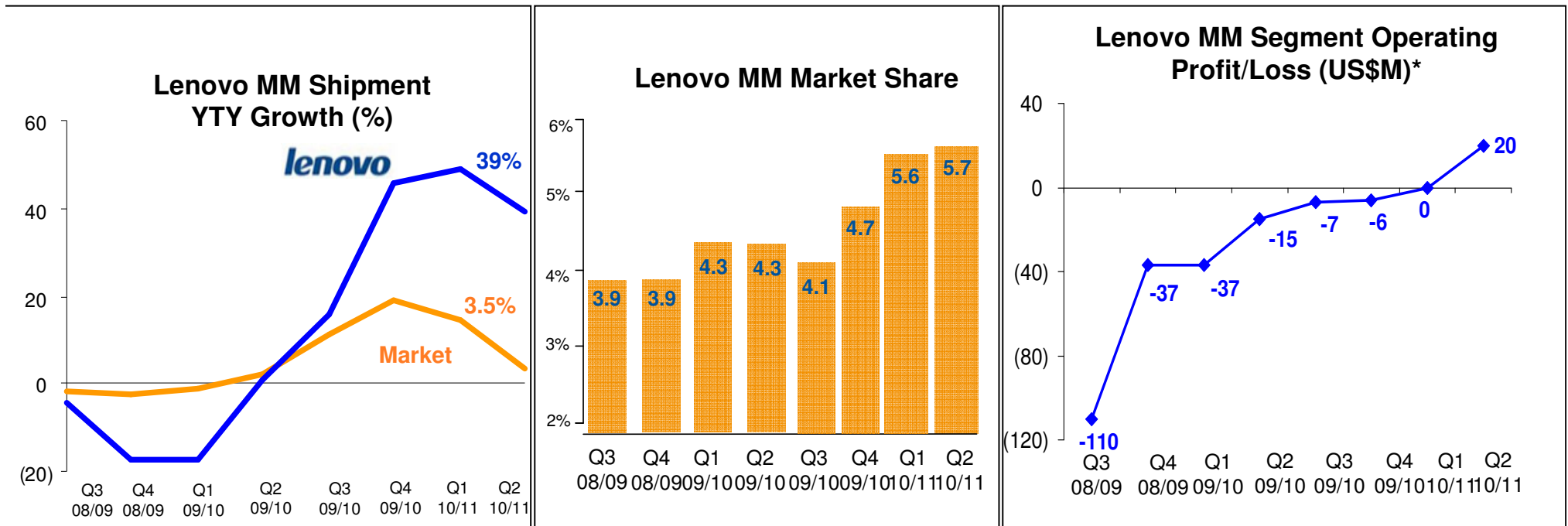


Source: IDC and Internal Data

* Excluding One-off and Restructuring Charges

Mature Markets: Protect Relationship, Attack Transactional

- Profit generator: segment operating profit up \$35 million USD YTY
- Volume up 39% YTY, share up 1.5 points, strong growth in key countries
 - Germany became the first major Mature country to achieve 10% share
 - Fastest growing in Japan for 5 quarters
 - North America grew 20 times market rate



Source: IDC and Internal Data

* Excluding One-off and Restructuring Charges

Growing the Mobile Internet Category

- LePhone established strong position, on track to meet plan
- Increasing efforts to drive higher business growth
 - Investing in marketing to drive higher volume
 - Driving more applications and content



Investing in our Foundation for Growth

- Maintain our commitments to competitiveness through investment:
 - Innovation, to improve innovation capability
 - Business model, to improve efficiency and effectiveness
 - Branding, to increase worldwide brand recognition



Outlook

- Facing challenges:
 - Global economy is still recovering
 - Moderate PC market growth WW, including China
- Opportunities for growth:
 - Commercial replacement demand growing strong
 - Emerging Markets continue rapid growth
 - Mobile Internet tremendous opportunity for long-term growth

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Wong Wai Ming

Chief Financial Officer

Financial Summary

US\$ Million	Q2 FY2010/11	Q2 FY2009/10	Y/Y	Q/Q	Interim FY2010/11	Y/Y
Sales	5,760	4,087	1,673	613	10,907	3,379
Gross Profit	593	433	160	70	1,116	306
Operating Expenses*	(485)	(390)	(95)	(44)	(926)	(173)
Operating Profit*	108	43	65	26	190	133
Other Non-Operating (Expenses)/Income	(5)	(13)	8	1	(11)	18
Pre-tax Income*	103	30	73	27	179	151
Restructuring Cost	(1)	(3)	2	0	(2)	3
Other income, net	0	38	(38)	0	0	(40)
Pre-tax Income	102	65	37	27	177	114
Taxation	(25)	(12)	(13)	(5)	(45)	(19)
Profit attributable to Equity Holders	77	53	24	22	132	95
EPS (US cents)						
- Basic	0.81	0.59	0.22	0.24	1.38	0.96
- Diluted	0.76	0.55	0.21	0.22	1.30	0.91
Dividend per Share (HK cents)	NA	NA	NA	NA	2.60	1.60
	Q2 FY2010/11	Q2 FY2009/10	Q1 FY2010/11			
Gross margin	10.3%	10.6%	10.2%			
E/R ratio*	8.4%	9.5%	8.6%			
Operating margin*	1.9%	1.1%	1.6%			
PTI margin*	1.8%	0.7%	1.5%			
Net margin	1.3%	1.3%	1.1%			

* Exclude restructuring costs and other income, net



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Condensed Balance Sheet

US\$ Million	As at Sep 30, 2010	As at Mar 31, 2010
Non-current assets	2,672	2,720
Property, plant and equipment	228	248
Intangible assets	2,063	2,066
Others	381	406
Current assets	8,342	6,235
Bank deposits and cash	2,696	2,439
Account receivables	4,619	2,871
Inventories	983	879
Others	44	46
Current liabilities	8,424	6,418
Short-term bank loans	48	65
Account payables	7,848	5,822
Current portion of non-current liabilities	369	437
Others	159	94
Net current liabilities	(82)	(183)
Non-current liabilities	1,023	931
Total equity	1,567	1,606

Cash and Working Capital

US\$ Million	<u>Q2 FY2010/11</u>	<u>Q2 FY2009/10</u>	<u>Q1 FY2010/11</u>
Bank deposits and cash	2,696	2,383	2,715
Total Bank Borrowings	378	599	478
Net Cash Reserves	2,318	1,784	2,237
Days Inventory	19	14	19
Days Receivable	28	21	28
Days Payable	73	65	70
Cash Conversion Cycle	-26 days	-30 days	-23 days

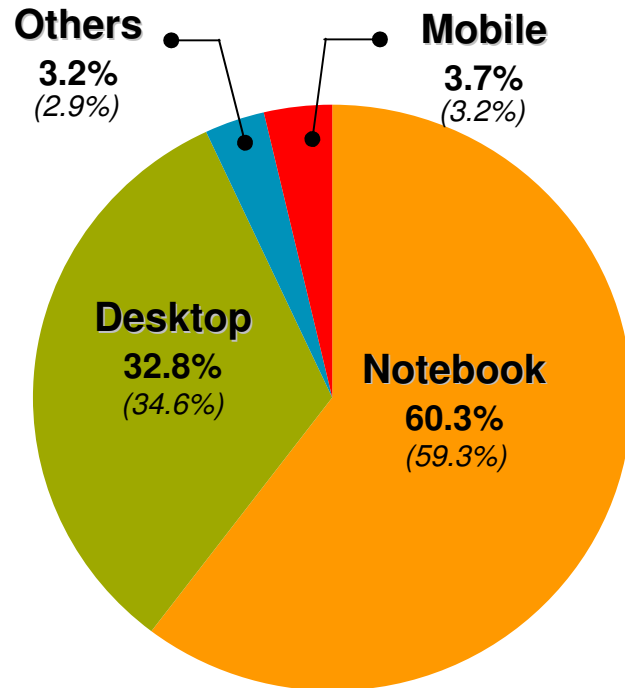
Performance by Geography

<i>(Excluding restructuring charges & one-off items)</i>	Sales US\$ Million			Segment Operating Profit US\$ Million			Segment Operating Profit Margin		
	Q2 FY11	Y/Y	Q/Q	Q2 FY11	Q2 FY10	Q1 FY11	Q2 FY11	Q2 FY10	Q1 FY11
China*	2,630	32.0%	4.9%	151	95	138	5.7%	4.8%	5.5%
Emerging Markets (Ex. China)	1,071	76.7%	30.5%	(17)	(20)	(25)	-1.6%	-3.2%	-3.0%
Mature Markets	2,059	38.4%	13.3%	20	(15)	0	1.0%	-1.0%	0.0%

* Included Lenovo Mobile

Q2 Performance By Product

By Product Type



Notebook

- Shipments up 38% YTY; Sales up 40% YTY
- Market share up 1.9 points and remained as 4th largest notebook PC company
- #4 world largest notebook player
- Accumulated sales of ThinkPad surpassed 60 million milestone

Desktop

- Shipments up 26% YTY; Sales up 27% YTY
- #3 world largest desktop player
- Market share up 1.8 points through AIO and SMB targeted desktops

Mobile

- Shipments up 41% YTY; Sales up 58% YTY
- Strong feature phones shipment YTY growth at 36%
- #1 domestic mobile handset brand in China
- Further strengthened China's distribution coverage by teaming up with China Telecom, in addition to China Unicom

Share Repurchase Update

- **Objectives**
 - Enhance shareholders' return
 - Management confidence on company prospects
- **June 21, 2010 – Sep 30, 2010**

	Q1 (June 21 - June 30)	Q2 (July 1 - Sep 30)	Accumulated Total
Shares purchased (mn shares)	34	55	89
Total Considerations (US\$ mn)	19	31	50
Average Price (HK\$)	4.34	4.35	4.35

Outlook

- **Remain cautiously optimistic**
- **Expect gradual improvement in margins**
- **Continue to invest for sustainable growth**
- **Continue to look for M&A opportunities within the PC industry**

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Liu Chuanzhi

Chairman of the Board

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Appendix

- Consolidated Income Statement
- Condensed Consolidated Cash Flow Statement

Consolidated Income Statement

US\$ Million	Q2 FY2010/11	YTD FY2010/11	Q2 FY2009/10	YTD FY2009/10
Sales	5,760	10,907	4,087	7,528
Cost of sales	(5,167)	(9,791)	(3,655)	(6,718)
Gross profit	593	1,116	432	810
Other income, net	-	-	38	40
Selling and distribution expenses	(244)	(466)	(212)	(402)
Administrative expenses	(181)	(334)	(137)	(276)
Research and development expenses	(76)	(153)	(54)	(103)
Other operating income/(expense) - net	15	25	11	22
Operating profit	107	188	78	91
Finance income	6	11	4	8
Finance costs	(11)	(22)	(17)	(36)
Share of (loss)/profit of associated companies	-	-	-	-
Profit before taxation	102	177	65	63
Taxation	(25)	(45)	(12)	(26)
Profit attributable to:				
Equity holders of the company	77	132	53	37
Earnings per share (US cents)				
- Basic	0.81 US cents	1.38 US cents	0.59 US cents	0.42 US cents
- Diluted	0.76 US cents	1.30 US cents	0.55 US cents	0.39 US cents

Condensed Consolidated Cash Flow Statement

US\$ Million	Q2 FY2010/11	Q2 FY2009/10
Net cash generated from operating activities	148	324
Net cash used in investing activities	(94)	(82)
Net cash used in financing activities	(182)	(85)
Increase/(decrease) in cash and cash equivalents	(128)	157
Effect of foreign exchange rate changes	33	6
Cash and cash equivalents at the beginning of the period	2,617	1,899
Cash and cash equivalents at the end of the period	2,522	2,062

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

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