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NEW WORLD. NEW THINKING.

Lenovo Group Limited

UBS Taiwan Conference 2010

Taipei | Jun 25, 2010

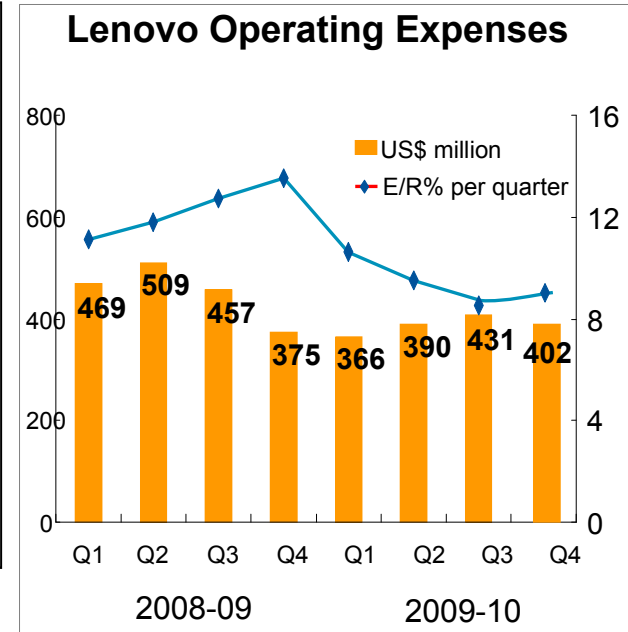
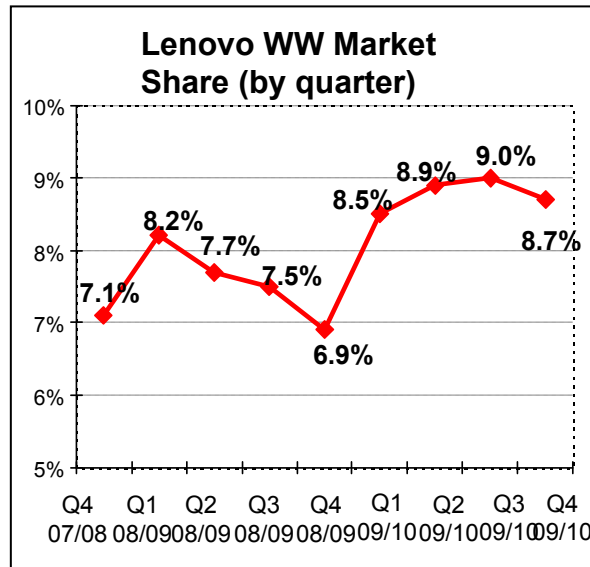
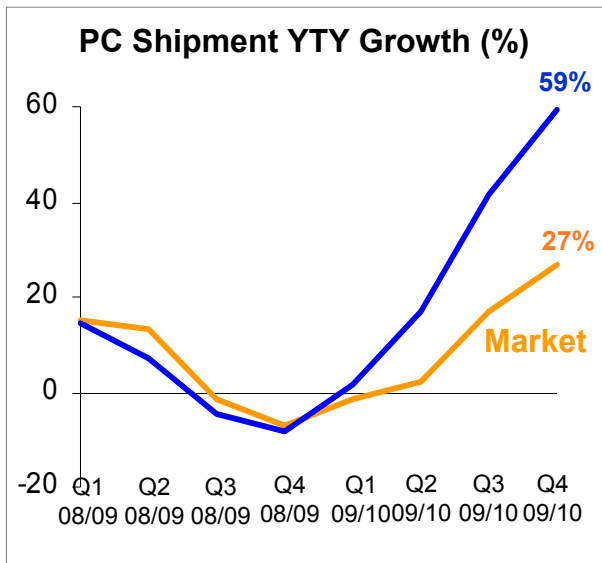
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Business Review & Strategies

Fastest Growing Major PC Manufacturer Again in Q4

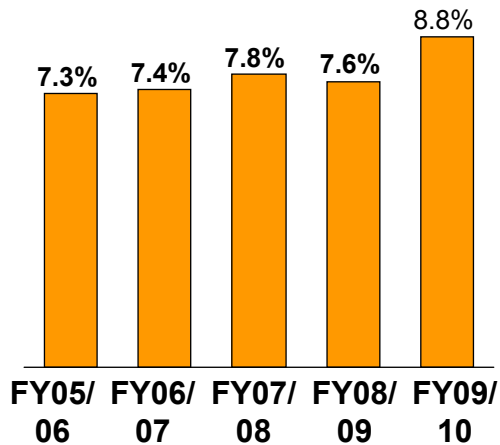
- Grew twice as fast as worldwide market, 59% versus 27%
- Worldwide market share at 8.7%, up 1.7 points year-to-year
- Remained profitable and efficient, with E/R at 9.3%



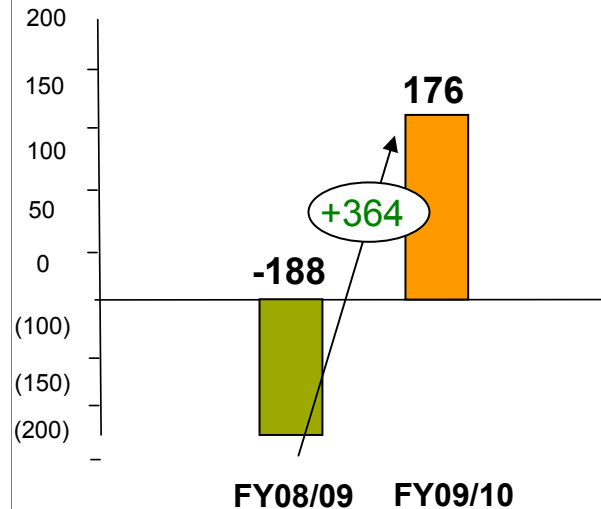
Decisive Actions Led to Year's Performance Turnaround

- 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

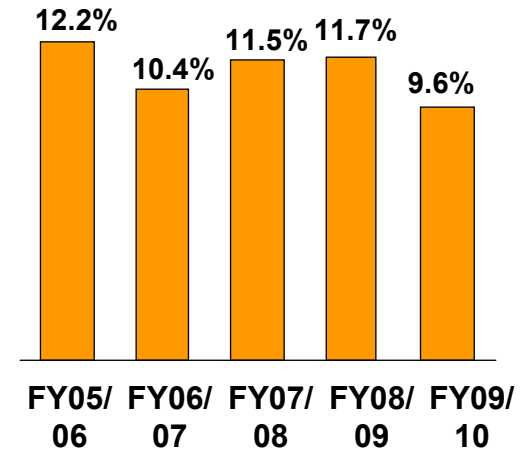
Lenovo WW Market Share by Fiscal Year



Lenovo PTI by Fiscal Year (US\$M)

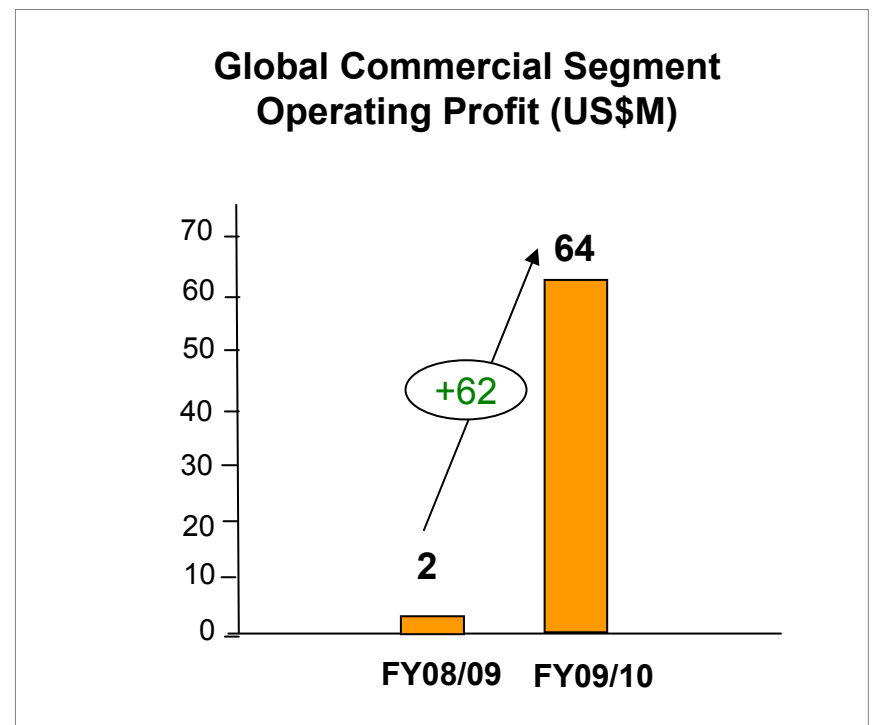
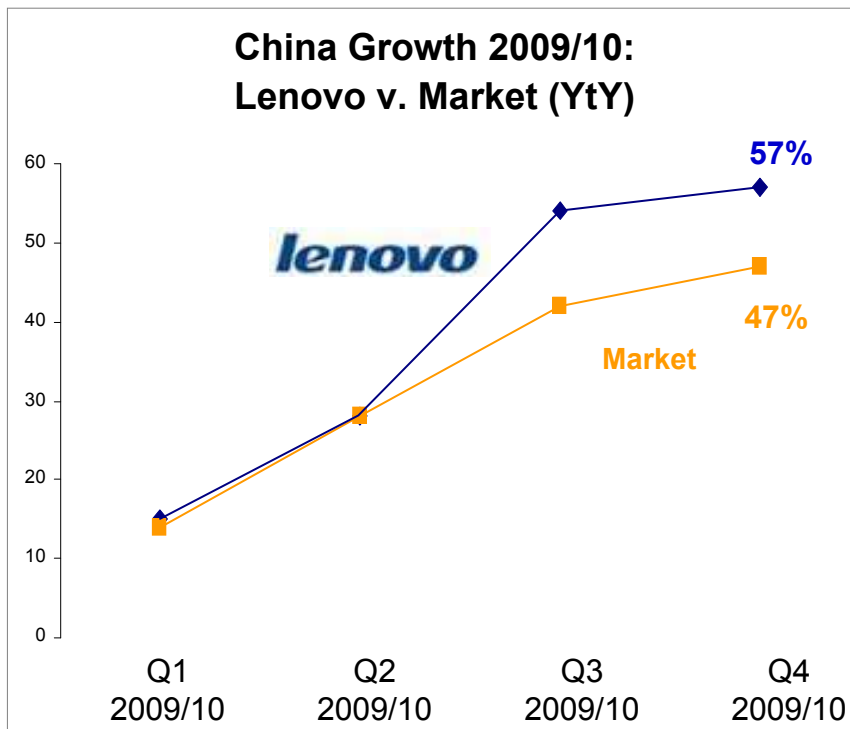


Lenovo E/R by Fiscal Year



Success Across Protect/Attack in Fiscal Year

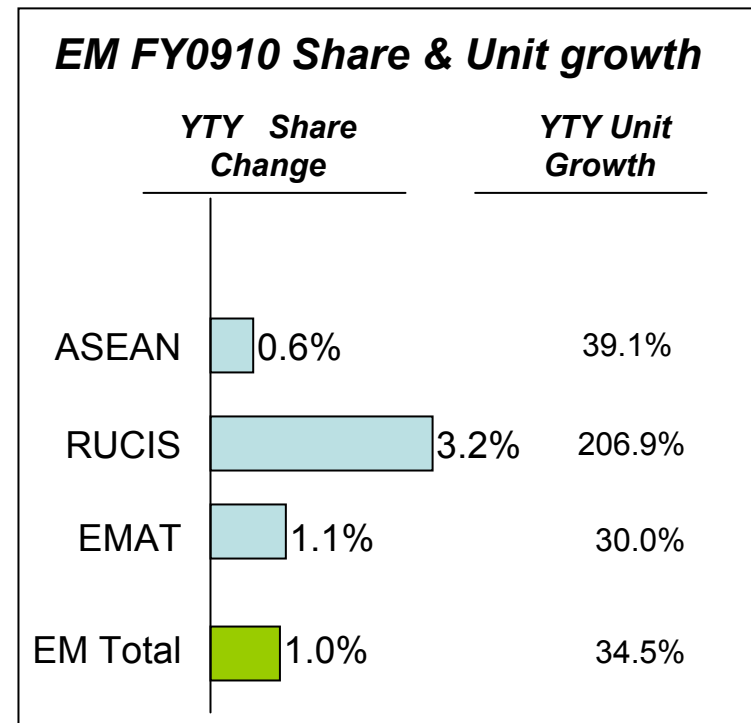
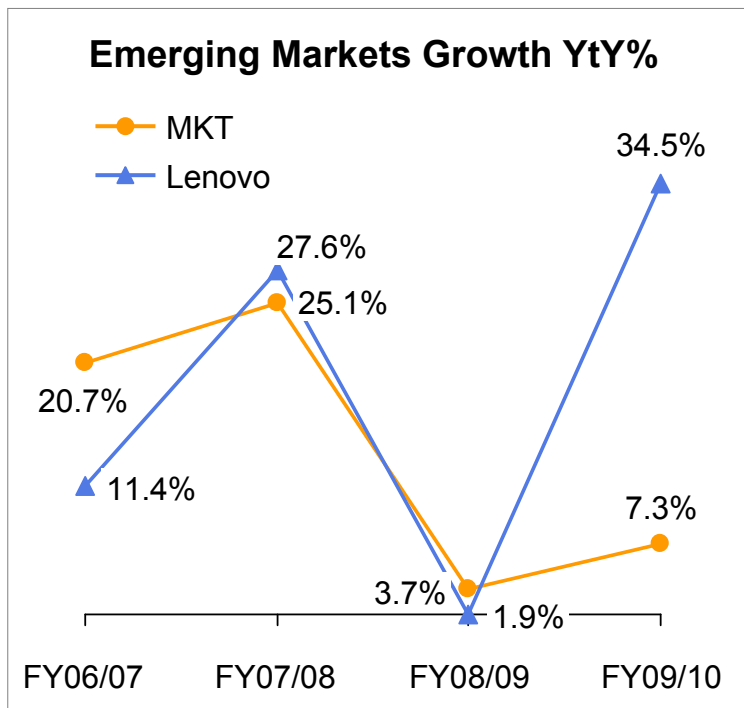
- Protect China: Outperformed market all four quarters, improved profitability
- Protect Global Commercial: Improved PTI US\$62 million



Source: Industry and internal estimates

Success Across Protect/Attack in Fiscal Year

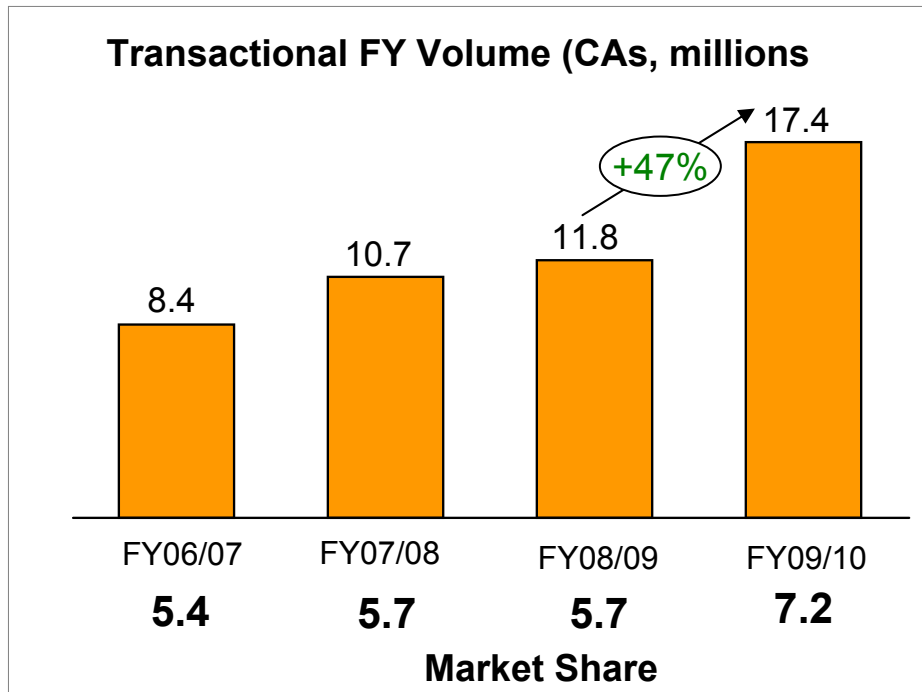
- Attack Emerging Markets: Reached 4.8% share, significantly outgrew the market



Source: Industry and internal estimates

Success Across Protect/Attack in Fiscal Year

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

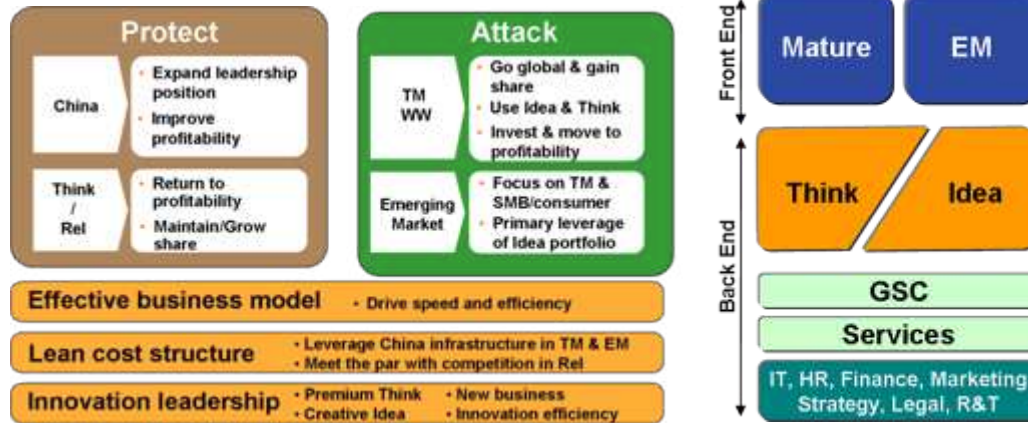


Source: Industry and internal estimates

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

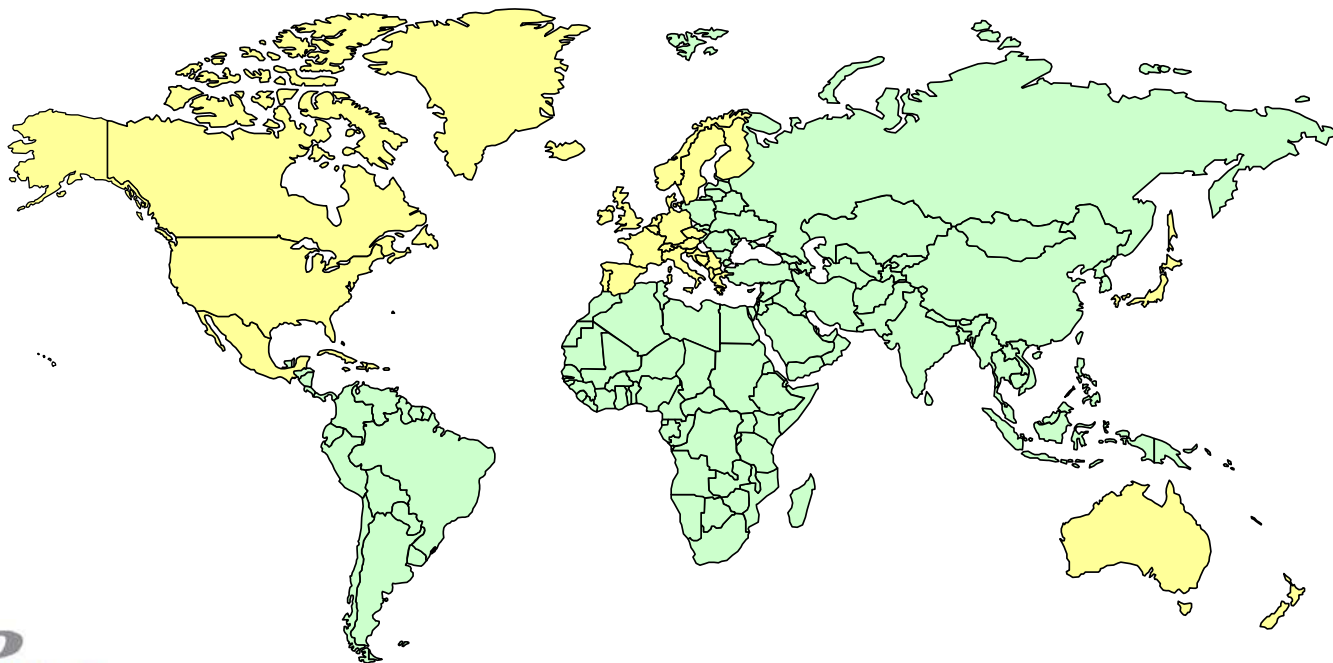
- PCs: Extend leadership position
 - Creatively segment market into mature and emerging
- Beyond PCs: Aggressively expand into mobile internet space
 - Launched new smartphone in Partnership with China Unicom
 - LePhone available in 5000 stores across China



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

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



* Excludes restructuring costs & one-off items

Condensed Balance Sheet

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

Cash and Working Capital

US\$ Million	<u>Q4 2009/10</u>	<u>Q4 2008/09</u>	<u>FY 2009/10</u>	<u>FY 2008/09</u>
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**

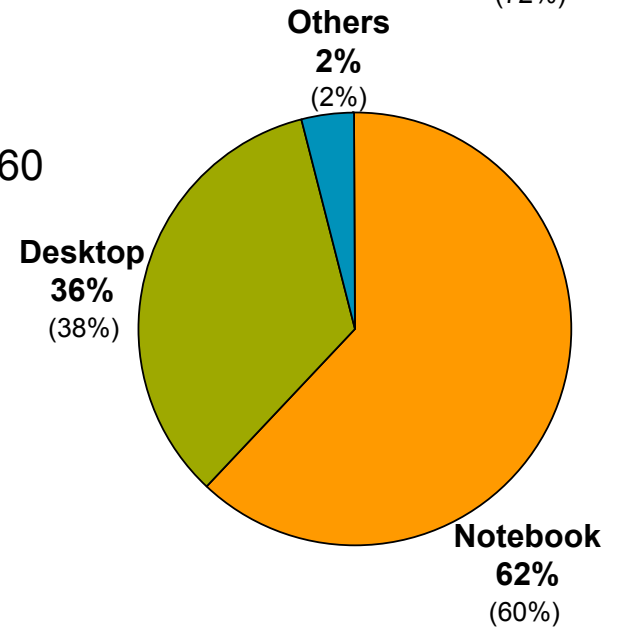
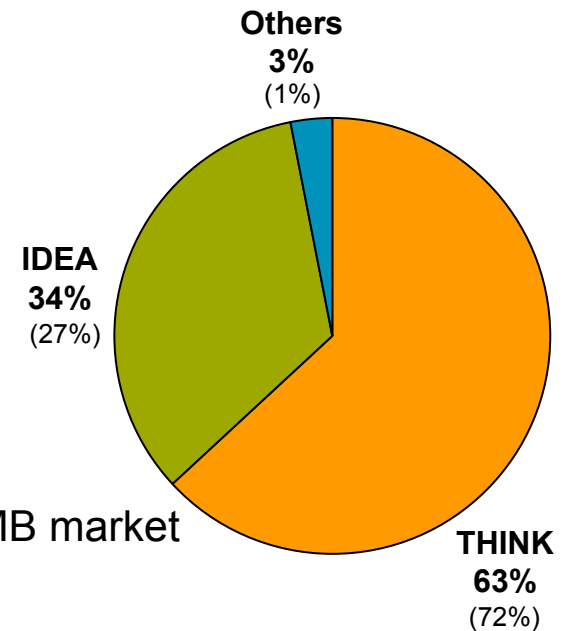
- Shipment up 43% YTY; Sales up 37% YTY
- Launched Edge products and x100e to address SMB market

- **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



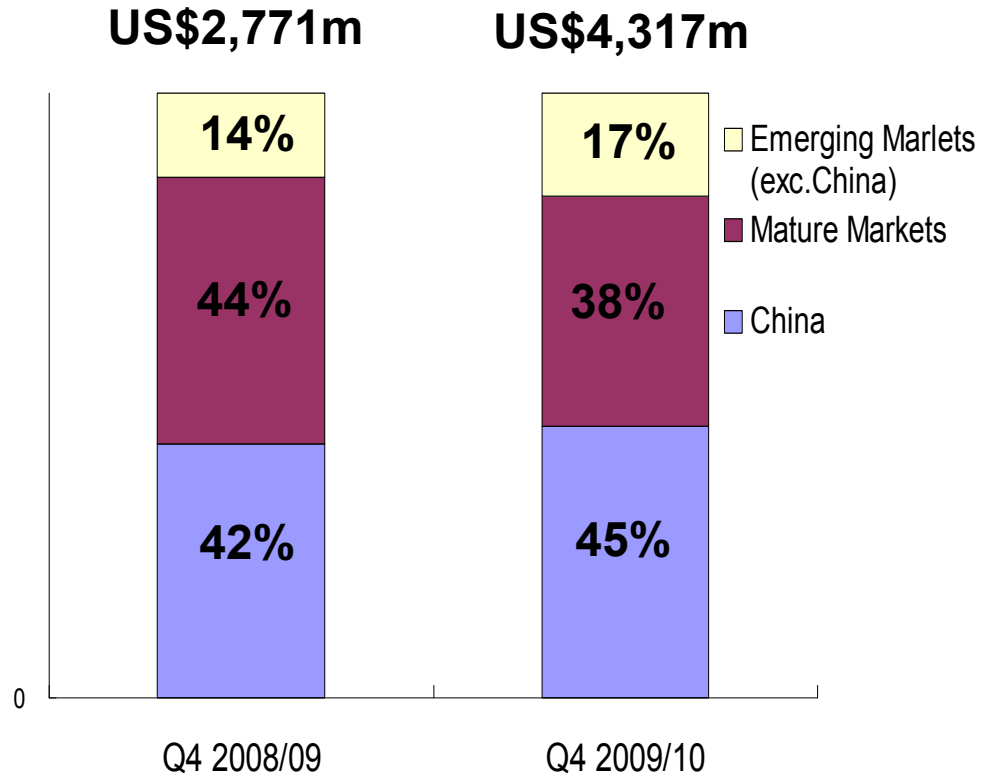
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Appendix

- 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
China*	7,892	6,224	26.8%	444	378	5.6%	6.1%
Emerging Markets (Excluding China)	2,640	2,353	12.2%	(97)	(107)	-3.7%	-4.6%
Mature Markets	6,073	6,324	-4.0%	(65)	(137)	-1.1%	-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	918	(97)
Net cash (used in)/generated from investing activities	(255)	432
Net cash used in financing activities	(217)	(116)
Increase in cash and cash equivalents	446	219
Effect of foreign exchange rate changes	(71)	(7)
Cash and cash equivalents at the beginning of the year	1,863	1,651
Cash and cash equivalents at the end of the year	2,238	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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