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# Lenovo Group Limited

## FY2010/11 Q3 Results

February 16, 2011 – San Francisco /  
February 17, 2011 – Hong Kong

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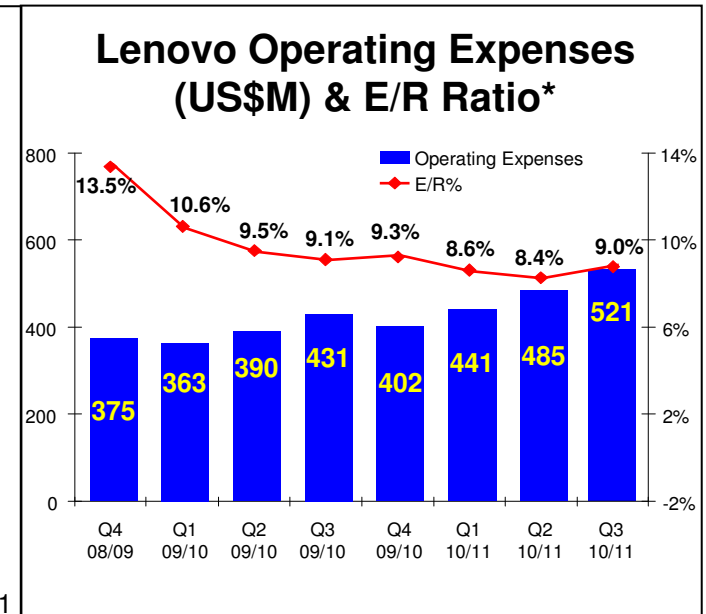
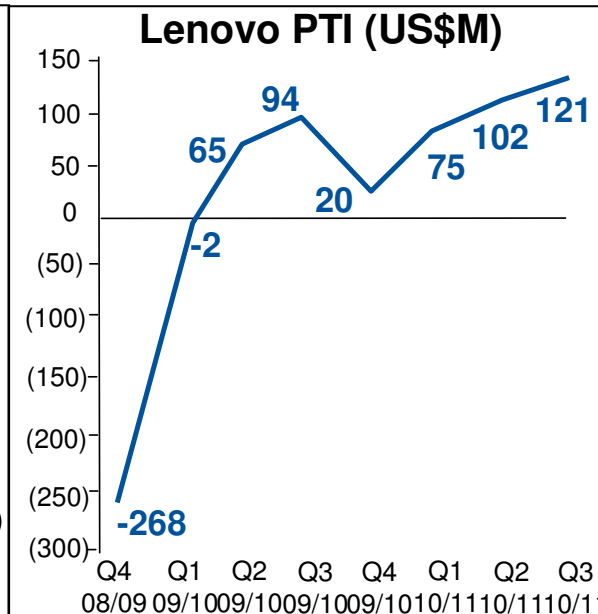
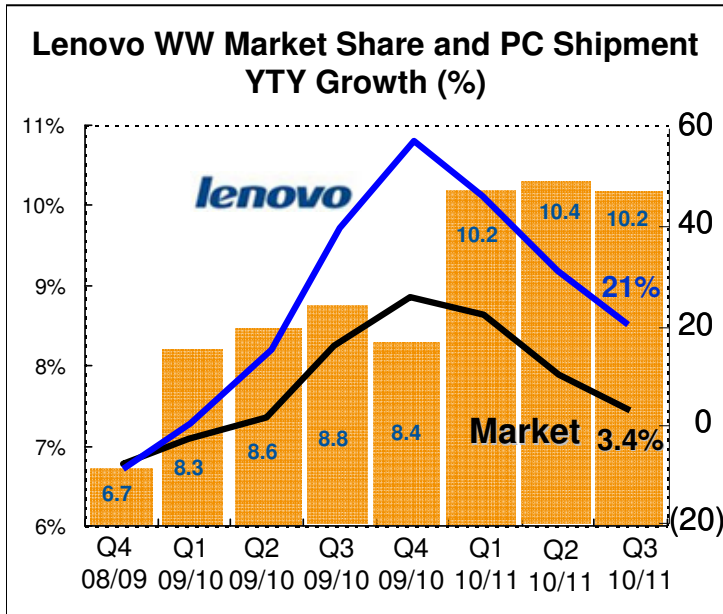
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**Yang Yuanqing**

**Chief Executive Officer**

# Fastest Growing PC Company for Fifth Straight Quarter

- Market share: 10.2%, up 1.5 points year-to-year
- Improved profitability:
  - Net Profit of \$100 million USD
  - PTI of \$121 million USD
  - Gross Margin of 11.2%
- E/R of 9.0%, up slightly QTQ due to increased long-term investments

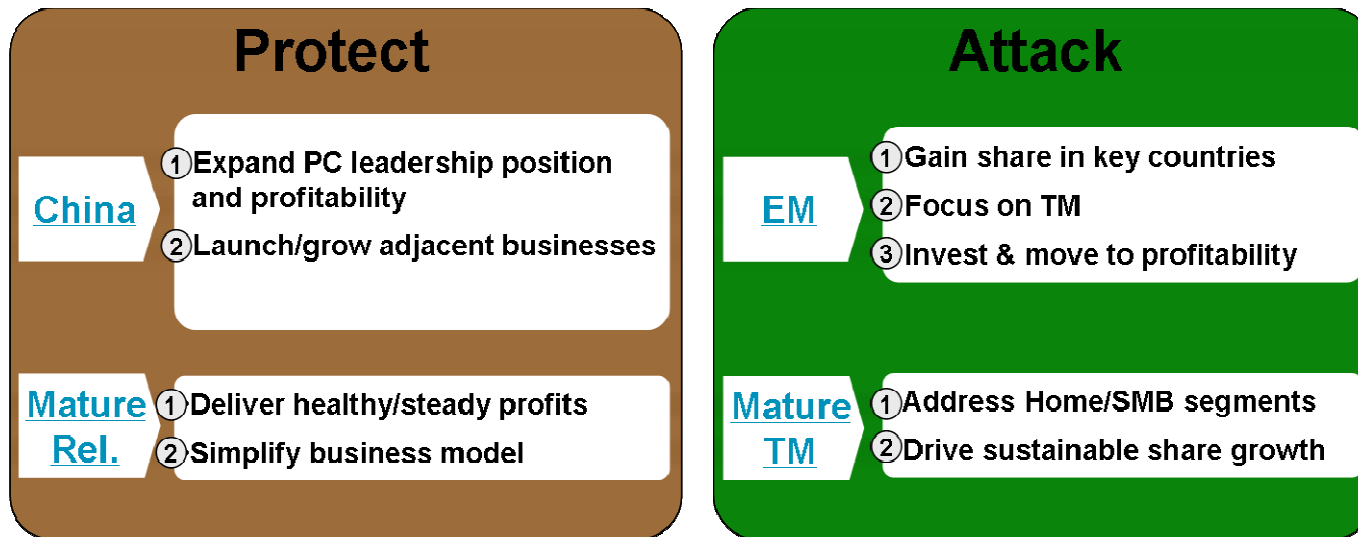


Source: IDC and Internal Data

\* Excludes one-off/restructuring items

# Effective Execution of Strategy Drove Balanced Growth

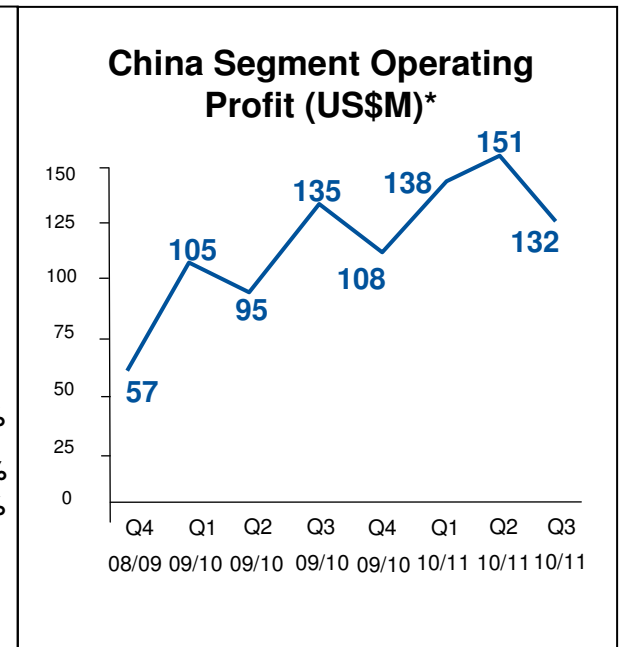
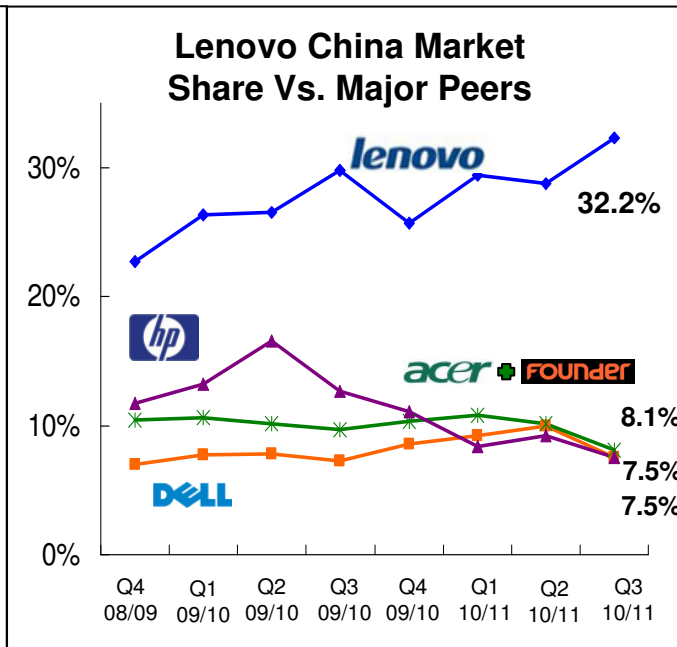
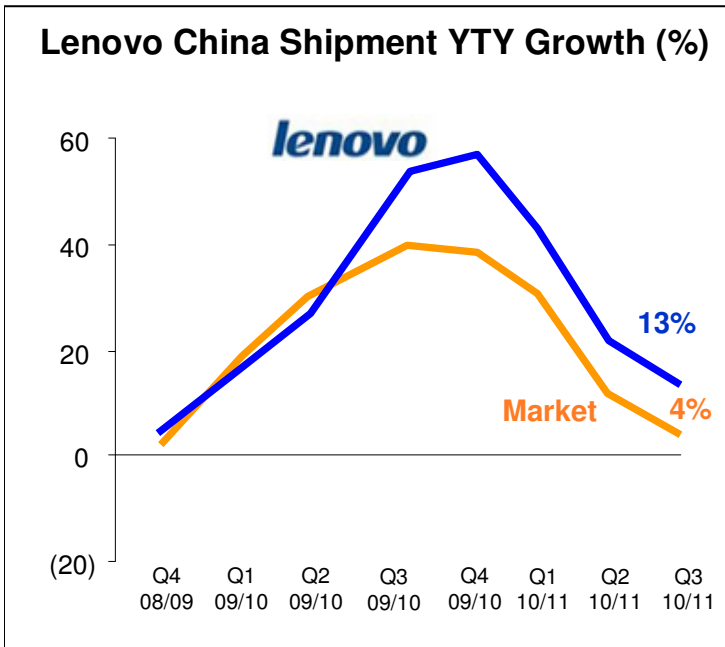
- Protect & Attack strategy provides the right focus, drives growth
  - Double-digit share in 15 countries this quarter
  - Gained share in all Geos, all product types and customer segments



- 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

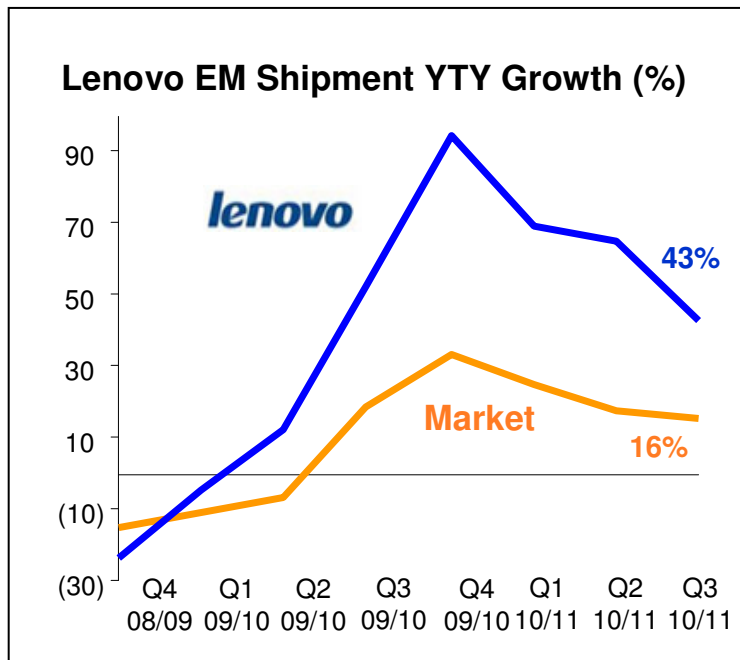
# Protect China Leadership

- All-time high record market share of 32.2% in China, up 2.4 points YTY
- Widened the gap with competitors
  - Strong growth small cities/rural, Large Enterprise business, and All-in-One desktop PCs
  - Grew 13% YTY, more than 3 times market rate
- Segment Operating Profit dropped YTY due to Mobile Internet investments



# Attack Emerging Markets

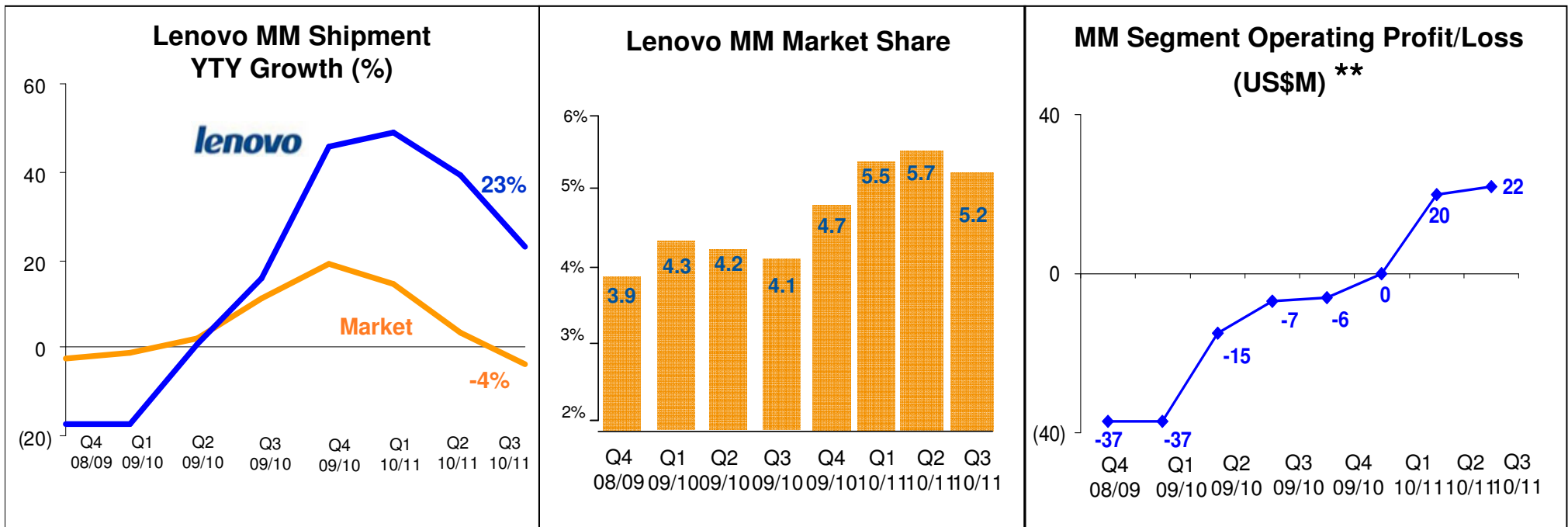
- Continued to grow faster than the market
  - Volume grew 43% YTY, when Market grew at 16%
  - India reached 10.3% market share, first time in double digits
  - Russia gained 3.3 points YTY; LA gained almost 1 point YTY



	Q3 Shares	Share Gains YTY (pts)
Overall EM	6.6%	+1.2
HTK	6.6%	+1.2
ASEAN	7.6%	+1.4
Russia	9.0%	+3.3
India	10.3%	+2.3
EET	7.8%	+0.7
MEA	4.3%	+0.7
LA/Brazil	4.8%	+0.6

# Mature Markets: Protect Relationship, Attack Transactional

- Profit generator: segment operating profit up \$29 million USD YTY
- Volume up 23% YTY, share up 1.1 points, strong growth in key segments/markets
  - Lenovo #1 in global Large Enterprise/Public Sector\* notebooks, with 21% share
  - #2 worldwide Commercial notebook market share
  - North America grew 29% YTY, when market dropped 4%
  - Fastest growing major PC company in Japan for 6 quarters, share up 2 points YTY



# NEC Joint Venture a Perfect Fit for our Strategy

- NEC strength in commercial and consumer markets
- Products sell at a premium in Japan
- Both Lenovo and NEC are deeply committed to innovation
- The partnership can benefit greatly from our cost synergies
- Lenovo has experience bringing organizations together



# Capturing the Mobile Internet Category

- Efforts have started to pay off: LePhone sales doubled QTQ, newest products got great reviews at CES
  - Ready with innovative products
  - Formed Mobile Internet Digital Home business group to attack opportunity
  - Will continue to invest in development and marketing



“Lenovo:  
Introducing a  
Giant”



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# Outlook

- Confident in our future growth
  - Will continue to enhance our products, business model and culture
- Optimistic about the future
  - China: will continue fast growth in long-term
  - WW Relationship: Corporate demand will continue to be strong



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**Wong Wai Ming**

**Chief Financial Officer**

# Financial Summary

US\$ Million	Q3 FY2010/11	Q3 FY2009/10	Y/Y	Q/Q	YTD FY2010/11	Y/Y
Sales	<b>5,808</b>	4,760	1,048	48	<b>16,715</b>	4,428
Gross Profit	<b>648</b>	530	118	55	<b>1,764</b>	424
Operating Expenses*	<b>(521)</b>	(431)	(90)	(36)	<b>(1,447)</b>	(263)
Operating Profit*	<b>127</b>	99	28	19	<b>317</b>	161
Other Non-Operating Expenses	<b>(4)</b>	(5)	1	1	<b>(15)</b>	20
Pre-tax Income*	<b>123</b>	94	29	20	<b>302</b>	181
One-off items	<b>0</b>	(42)	42	0	<b>0</b>	42
Restructuring Cost	<b>(2)</b>	(1)	(1)	(1)	<b>(4)</b>	2
Other income, net	<b>0</b>	43	(43)	0	<b>0</b>	(83)
Pre-tax Income	<b>121</b>	94	27	19	<b>298</b>	142
Taxation	<b>(21)</b>	(14)	(7)	4	<b>(67)</b>	(27)
Profit attributable to Equity Holders	<b>100</b>	80	20	23	<b>231</b>	115
EPS (US cents)						
- Basic	<b>1.03</b>	0.86	0.17	0.22	<b>2.41</b>	1.12
- Diluted	<b>0.98</b>	0.79	0.19	0.22	<b>2.29</b>	1.08

	Q3 FY2010/11	Q3 FY2009/10	Q2 FY2010/11
Gross margin	<b>11.2%</b>	11.1%	10.3%
E/R ratio*	<b>9.0%</b>	9.1%	8.4%
Operating margin*	<b>2.2%</b>	2.1%	1.9%
PTI margin*	<b>2.1%</b>	2.0%	1.8%
Net margin	<b>1.7%</b>	1.7%	1.3%

\* Exclude restructuring costs, one-off items and other income, net

# Condensed Balance Sheet

US\$ Million	<b>As at Dec 31, 2010</b>	As at Mar 31, 2010
Non-current assets	<b>2,665</b>	2,720
Property, plant and equipment	<b>215</b>	248
Intangible assets	<b>2,048</b>	2,066
Others	<b>402</b>	406
Current assets	<b>8,540</b>	6,235
Bank deposits and cash	<b>3,428</b>	2,439
Trade, notes and other receivables	<b>4,240</b>	2,871
Inventories	<b>818</b>	879
Others	<b>54</b>	46
Current liabilities	<b>8,457</b>	6,419
Short-term bank loans	<b>45</b>	65
Trade, notes and other payables	<b>8,009</b>	5,822
Current portion of non-current liabilities	<b>278</b>	437
Others	<b>125</b>	95
Net current assets/(liabilities)	<b>83</b>	(184)
Non-current liabilities	<b>977</b>	931
Total equity	<b>1,771</b>	1,606

# Cash and Working Capital

<b>US\$ Million</b>	<b><u>Q3 FY2010/11</u></b>	<b><u>Q3 FY2009/10</u></b>	<b><u>Q2 FY2010/11</u></b>
Bank Deposits and Cash	<b>3,428</b>	3,016	2,696
Total Bank Borrowings	<b><u>275</u></b>	<b><u>597</u></b>	<b><u>378</u></b>
Net Cash Reserves	<b>3,153</b>	2,419	2,318
Days Inventory	<b>16</b>	15	19
Days Receivable	<b>30</b>	24	28
Days Payable	<b>77</b>	71	73
Cash Conversion Cycle	<b>-31 days</b>	-32 days	-26 days

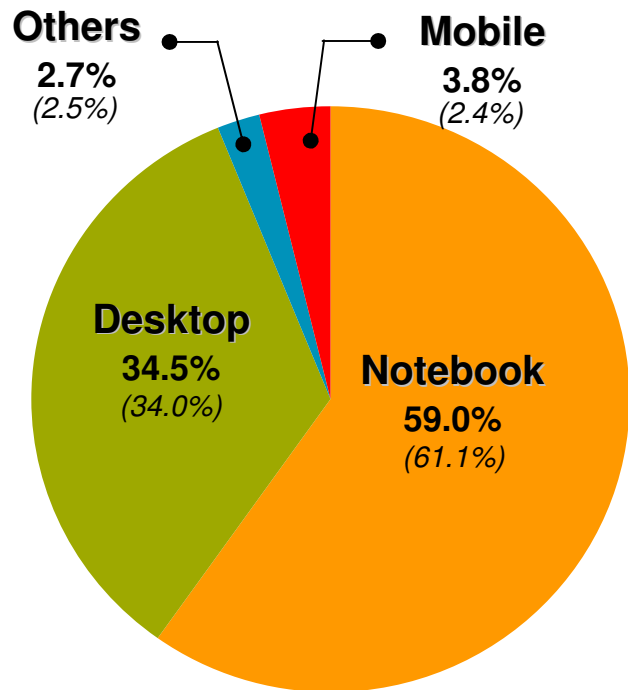
# Performance by Geography

(Excluding restructuring costs, one-off items and other income, net)	Sales US\$Million			Segment Operating Profit /(Loss), US\$Million			Segment Operating Margin		
	Q3 FY11	Y/Y	Q/Q	Q3 FY11	Q3 FY10	Q2 FY11	Q3 FY11	Q3 FY10	Q2 FY11
<b>China*</b>	<b>2,682</b>	18.0%	2.0%	<b>132</b>	135	151	<b>4.9%</b>	5.9%	5.7%
<b>Emerging Markets (Ex. China)</b>	<b>1,117</b>	34.1%	4.3%	<b>(13)</b>	(6)	(17)	<b>-1.2%</b>	-0.7%	-1.6%
<b>Mature Markets</b>	<b>2,009</b>	21.5%	-2.4%	<b>22</b>	(7)	20	<b>1.1%</b>	-0.4%	1.0%

\* Included PC & Mobile business

# Q3 Performance By Product

## By Product Type



### Desktop

- Shipments up 23% YTY; Sales up 18% YTY
- Market share up 1.9 points YTY
- Strong growth in AIO and SMB targeted desktops

### Notebook

- Shipments up 19% YTY; Sales up 15% YTY
- Market share up 1.2 points YTY
- Ultraportable ThinkPad Edge E10 and IdeaPad U260 gained fraction

### Mobile

- Shipments up 52% YTY; Sales up 87% YTY
- Strong feature phones shipments growth at 39% YTY with market share up 1.0 points YTY
- LePhone recaptured growth momentum

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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	Q3 FY2010/11	YTD FY2010/11	Q3 FY2009/10	YTD FY2009/10
Sales	5,808	16,715	4,760	12,287
Cost of sales	(5,160)	(14,951)	(4,230)	(10,947)
Gross profit	648	1,764	530	1,340
Other income, net	-	-	43	83
Selling and distribution expenses	(291)	(757)	(225)	(626)
Administrative expenses	(174)	(525)	(135)	(411)
Research and development expenses	(75)	(212)	(54)	(158)
Other operating income/(expense) - net	17	43	(60)	(37)
Operating profit	125	313	99	191
Finance income	7	18	7	15
Finance costs	(11)	(33)	(12)	(50)
Share of profit of associated companies	-	-	-	-
Profit before taxation	121	298	94	156
Taxation	(21)	(67)	(14)	(40)
Profit attributable to:				
Equity holders of the company	100	231	80	116
Dividend		33		12
Earnings per share (US cents)				
- Basic	1.03	2.41	0.86	1.29
- Diluted	0.98	2.29	0.79	1.21

# Condensed Consolidated Cash Flow Statement

US\$ Million	<b>Q3 FY2010/11</b>	<b>Q3 FY2009/10</b>
Net cash generated from operating activities	<b>865</b>	611
Net cash (used in)/generated from investing activities	<b>(6)</b>	115
Net cash used in financing activities	<b>(124)</b>	(10)
Increase in cash and cash equivalents	<b>735</b>	716
Effect of foreign exchange rate changes	<b>17</b>	11
Cash and cash equivalents at the beginning of the period	<b>2,522</b>	2,062
Cash and cash equivalents at the end of the period	<b>3,274</b>	2,789

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

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