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# 2013/14 Q2 Results



# Forward Looking Statement

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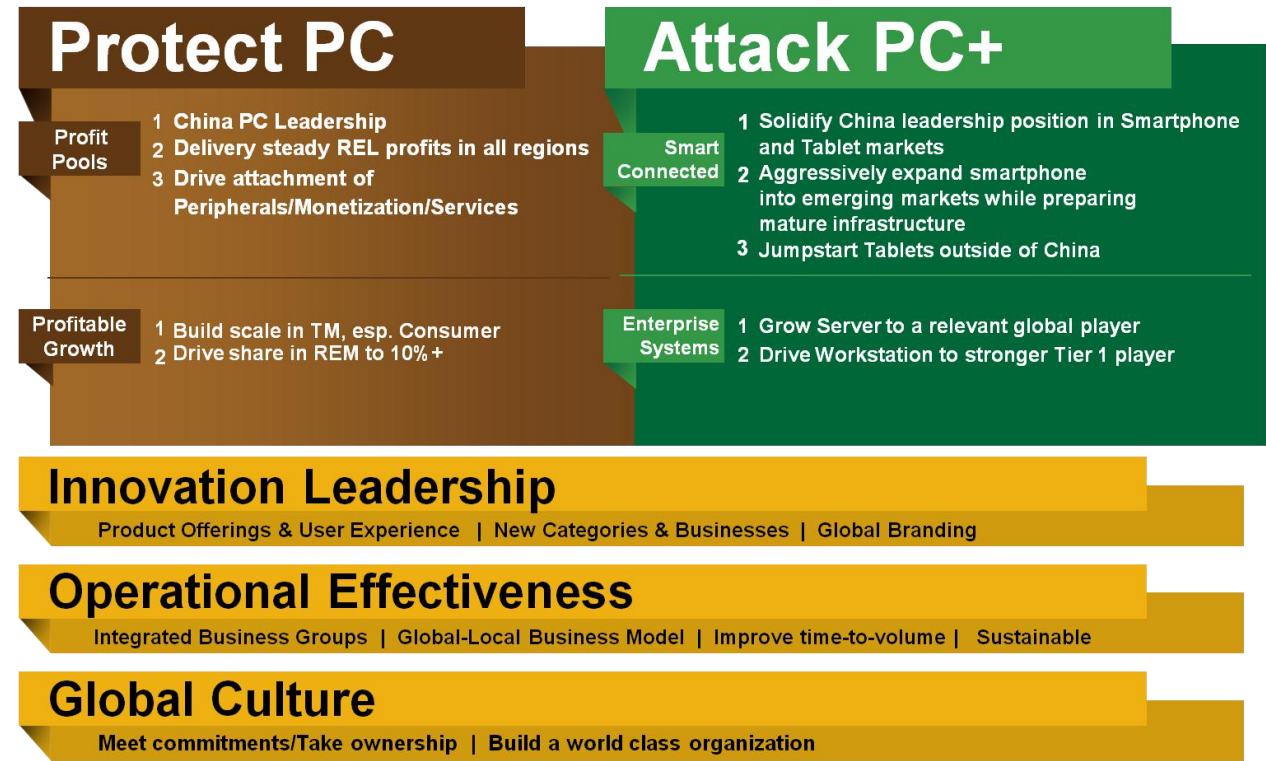
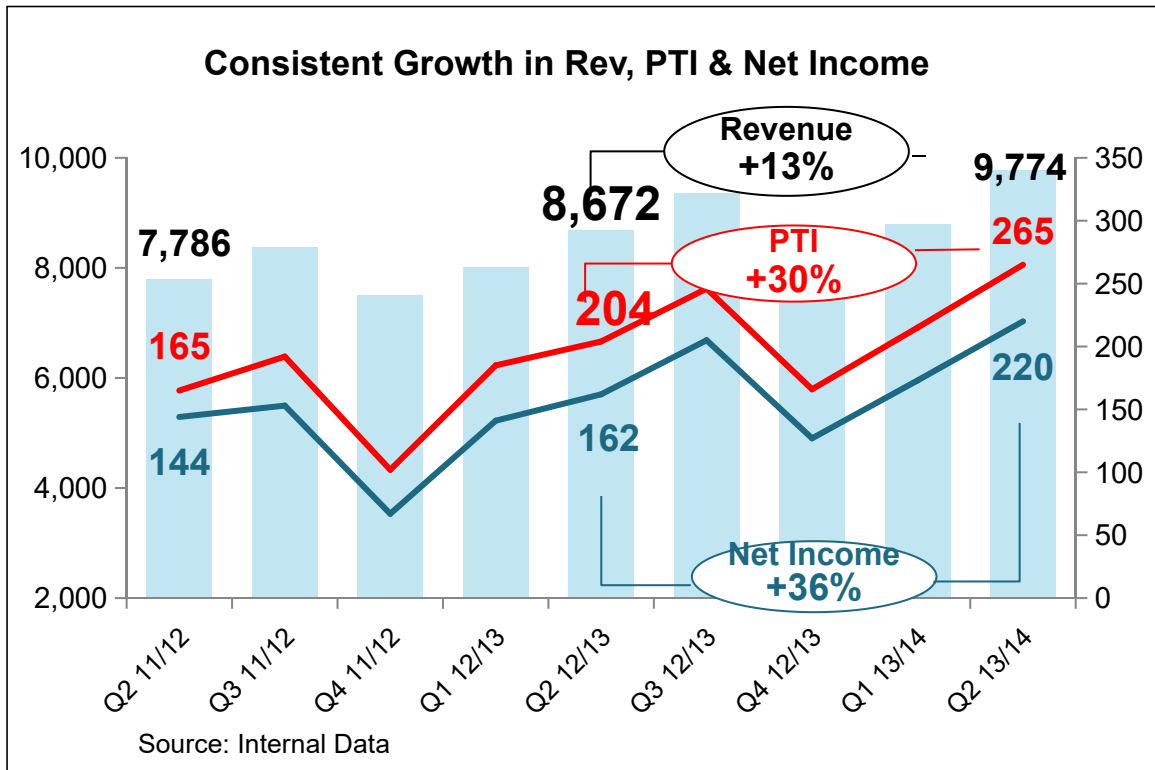
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Yuanqing Yang  
Chairman and CEO



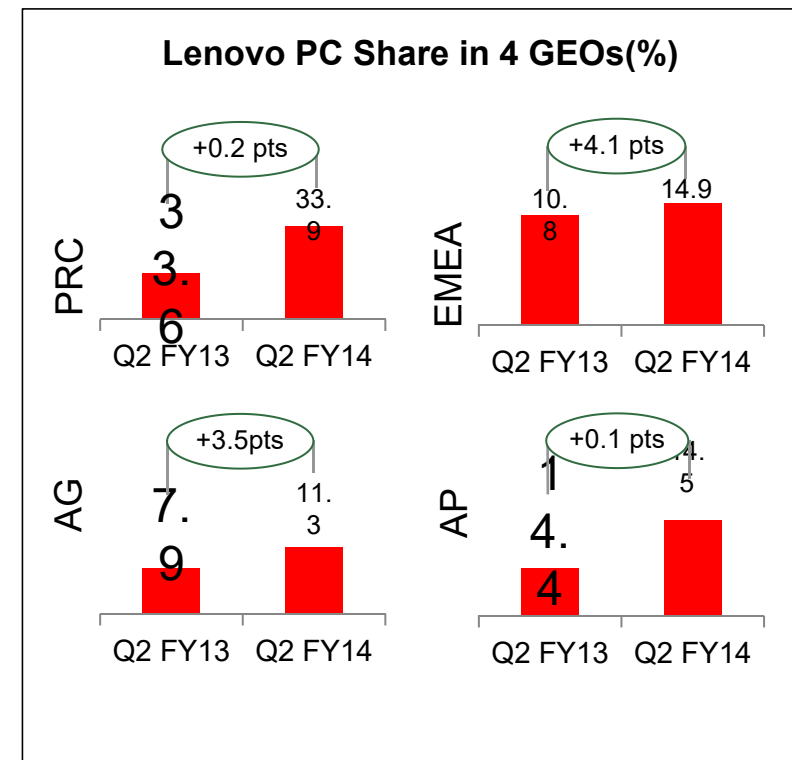
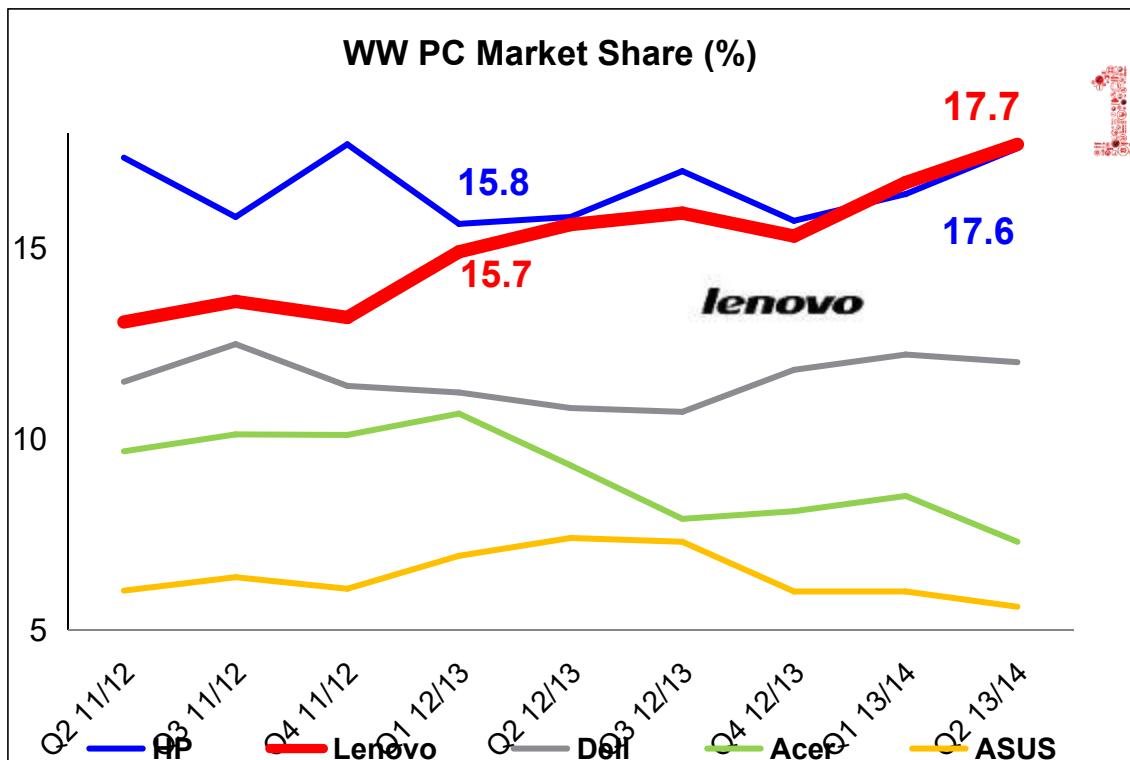
# Clear Strategy Guided Record Results

- **Clear strategy driving strong execution**
  - Protecting core PC business; aggressively attacking in PC+
- **Record-high Group performance**
  - Record-high Revenue of \$9.8B, up 13% YTY
  - Record-high Net Income of \$220M, up 36% YTY



# PC: Outstanding Performance

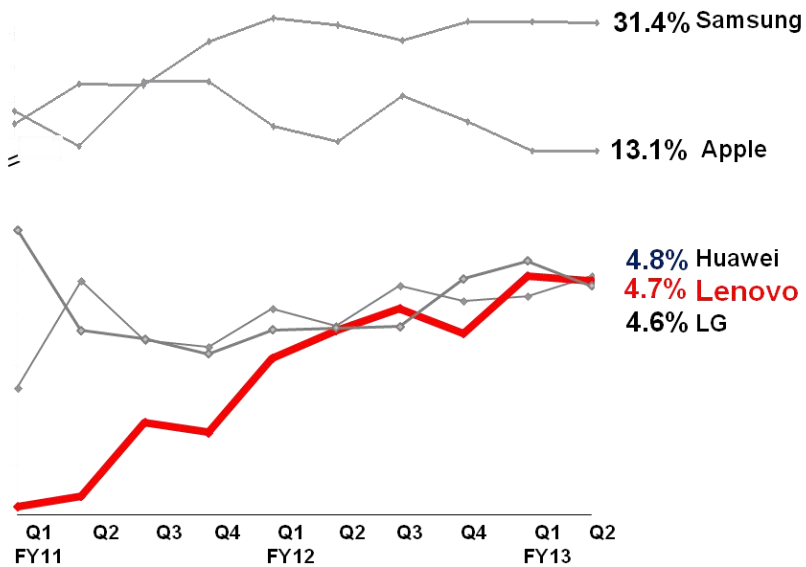
- **Maintained position as world's #1 PC company:**
  - Gained 2.1 points YTY, record high market share of 17.7%
- **Strong results driven by balanced global business across all 4 Geos**
  - Now #1 in China, Japan, Brazil, Germany and Russia; #2 in India; reached double digits in US



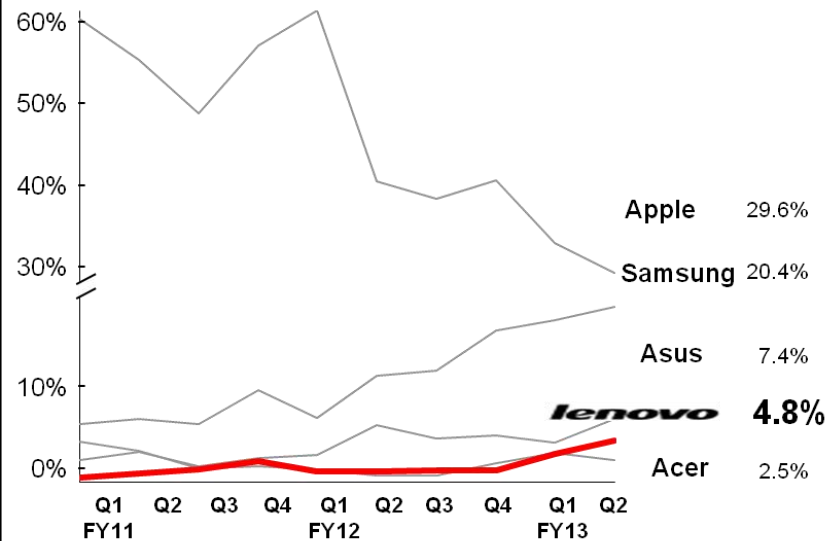
# PC+: Strong Growth

- **WW Smartphone volume grew 78% YTY, #4 worldwide**
  - China, strong #2
  - Real momentum in rest of world: Indonesia 12.7%; India, Russia and Vietnam strong progress
  - Plans to expand to at least 20 more markets in next couple quarters
- **Tablet sales WW grew 421% YTY to volume of 2.3M**
  - 77% of tablets sold outside China; tablet business continues to be profitable

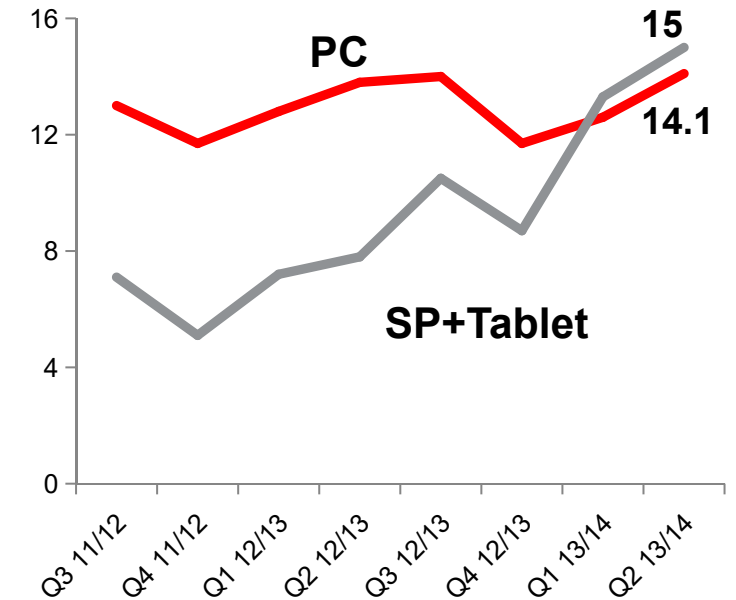
WW Smart Phone Market Share (%)



WW Tablet market share (%)

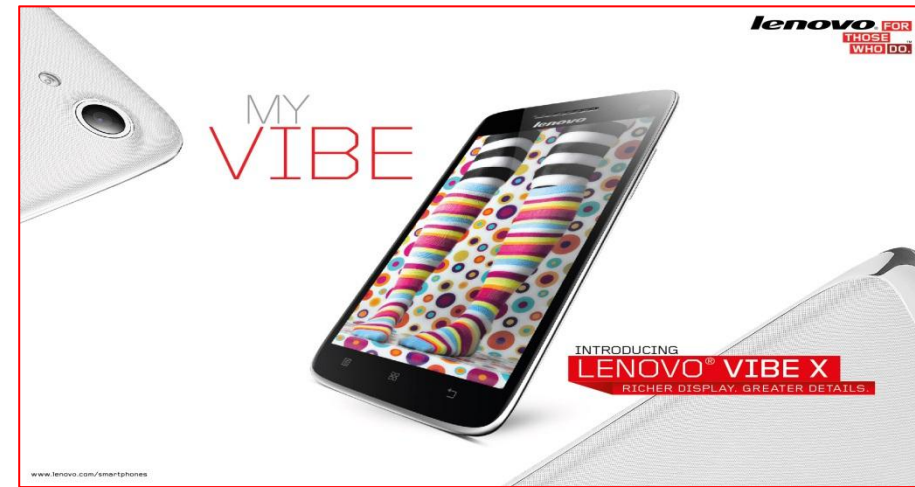


PC vs. SP+Tablet Volume (M units)



# Investments in Innovation and Business Model Paying Off

- Refine PCs through innovation
  - Multimode portfolio brings more growth and opportunities: Yoga, Horizon, Helix, etc.
- Accelerate PC+ growth through innovation
  - Smartphone: Launched Vibe smartphones, the platform to expand into global premium smartphone market
  - Tablet: Launched multimode Yoga Tablet
  - Combined innovation with global brand building event
  - Investment in ecosystem paying off
- Continue to improve the efficient Business Model



# Industry Outlook

- Confident PC market will improve
  - Commercial, China market will improve
  - Helping market improve with innovative products
  - Customers no longer see Tablet as PC replacement
- Fastest tablet growth in mainstream/entry price bands, emerging markets
- Key trends favor Lenovo





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Wong Wai Ming  
Chief Financial Officer



# Financial Summary

US\$ Million	Q2 FY2013/14	Q2 FY2012/13	Y/Y%	Q/Q%	Interim FY2013/14	Y/Y%
Revenue	9,774	8,672	13%	11%	18,561	11%
Gross Profit	1,265	1,139	11%	6%	2,456	12%
Operating Expenses	(982)	(933)	5%	-1%	(1,971)	10%
Operating Profit	283	206	38%	41%	485	25%
Other Non-Operating Expenses	(18)	(2)	936%	NA	(5)	NA
Pre-tax Income	265	204	30%	23%	480	24%
Taxation	(51)	(41)	25%	12%	(96)	18%
Profit for the period	214	163	31%	26%	384	25%
Non-controlling interests	6	(1)	NA	40%	10	NA
Profit attributable to Equity Holders	220	162	36%	26%	394	30%
EPS (US cents)						
- Basic	2.12	1.58	0.54	0.45	3.79	0.84
- Diluted	2.10	1.55	0.55	0.45	3.75	0.86
Dividend per share (HK cents)					6.00	33%

	Q2 FY2013/14	Q2 FY2012/13	Q1 FY2013/14
Gross margin	12.9%	13.1%	13.6%
E/R ratio	10.0%	10.8%	11.3%
Operating margin	2.9%	2.4%	2.3%
PTI margin	2.7%	2.4%	2.5%
Net margin attributable to Equity Holders	2.3%	1.9%	2.0%

# Condensed Balance Sheet

US\$ Million

	As at Sep 30, 2013	As at Jun 30, 2013
<b>Non-current assets</b>	<b>4,695</b>	<b>4,650</b>
Property, plant and equipment	568	510
Intangible assets	3,337	3,336
Others	790	804
<b>Current assets</b>	<b>13,337</b>	<b>13,303</b>
Bank deposits and cash	3,015	3,563
Trade, notes and other receivables	7,614	7,049
Inventories	2,596	2,532
Others	112	159
<b>Current liabilities</b>	<b>13,481</b>	<b>12,972</b>
Short-term bank loans	436	112
Trade, notes and other payables	11,597	11,434
Others	1,448	1,426
<b>Net current (liabilities)/assets</b>	<b>(144)</b>	<b>331</b>
<b>Non-current liabilities</b>	<b>1,812</b>	<b>2,174</b>
<b>Total equity</b>	<b>2,739</b>	<b>2,807</b>

# Cash and Working Capital

US\$ Million	Q2 FY2013/14	Q2 FY2012/13	Q1 FY2013/14
Bank deposits and cash	3,015	3,875	3,563
Total Bank Borrowings	452	324	468
Net Cash Reserves	2,563	3,551	3,095
Net cash (used in)/generated from operating activities	(189)	143	140
Days Inventory	28	19	27
Days Receivable	34	33	36
Days Payable	65	61	64
Cash Conversion Cycle	-3 days	-9 days	-1 days

# Geography Summary

## China

- Strong 45% YTY revenue growth of mobile internet devices business to drive China Geo growth
- Protected PC leadership with share gain by 0.2pt YTY to 33.9%
- China overall margin up 1.3pt YTY to 5.3%; China PC margin also improved by 0.8pt YTY to 6.8%
- PC+ profitability continued to improve

## AP

- Solid PC+ execution drove profitability improvement
- Record share at 14.5% up 0.1pt; 1<sup>st</sup> time became #1 in AP consumer PC market; #1 in Japan & #2 in India
- Strong SP growth, particularly in ASEAN, e.g. Indonesia (>10% share)
- OP margin up 0.5pt YTY to 1.7%

## EMEA

- Reinforced strong #2 position, Record share of 14.9%; up 4.1pt YTY
- PC volume up 17% YTY, outperformed market by 33pt
- Achieved #1 in 12 EMEA countries including key markets, e.g. Germany, Eastern Europe, Russia

## AG (Americas)

- PC volume up 39% YTY, outperform market by 43pt
- Record share & 1<sup>st</sup> time double-digit in AG at 11.3%; up 3.5pt YTY
- 1<sup>st</sup> time achieved: double-digit share in US; #1 & double-digit in LA
- #1 in Brazil through solid CCE integration

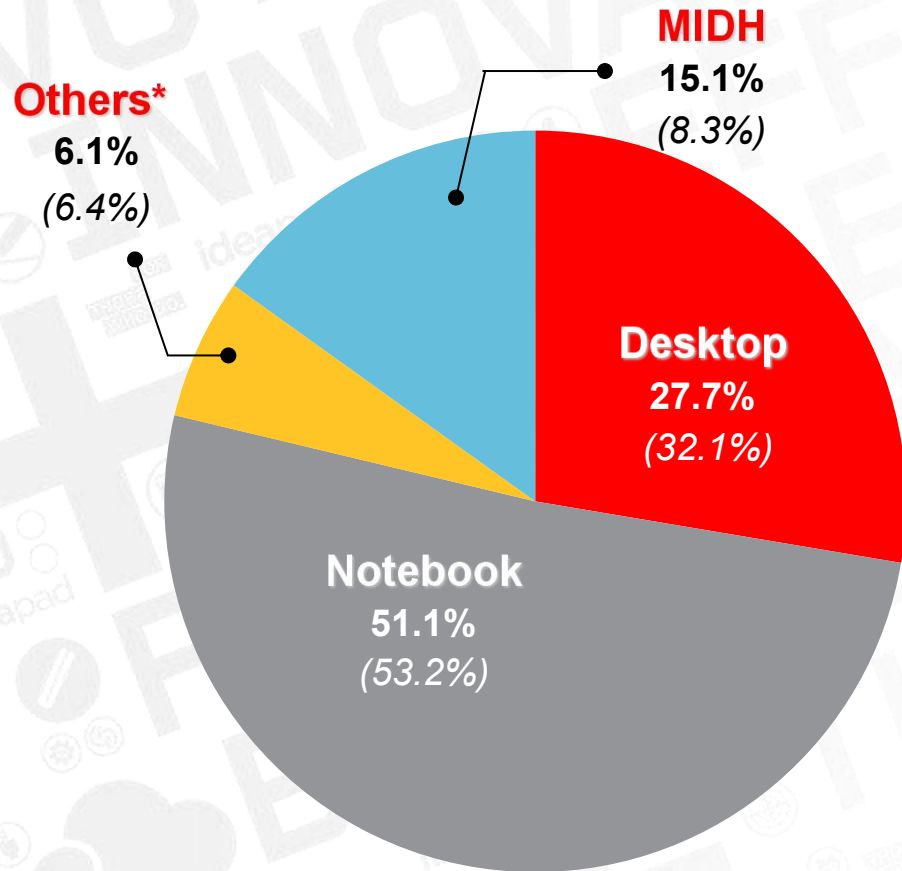
Including MIDH and non-PC revenue & results	Revenue US\$ Million			Segment Operating Profit/ (Loss) US\$ Million			Segment Operating Profit Margin		
	Q2 FY14	Y/Y	Q/Q	Q2 FY14	Q2 FY13 <sup>^</sup>	Q1 FY14	Q2 FY14	Q2 FY13 <sup>^</sup>	Q1 FY14
China	3,860	38	141	206	153	194	5.3%	4.0%	5.2%
China – PC <sup>#</sup>	2,877	(269)	126	197	189	188	6.8%	6.0%	6.8%
AP	1,502	12	187	25	19	12	1.7%	1.2%	0.9%
EMEA	2,258	465	390	35	29	26	1.5%	1.6%	1.5%
AG	2,154	587	269	30	28	26	1.4%	1.9%	1.4%

# Financials on China PC extracted from management report are not presented as a separate reportable segment in external report and are shown for reference only

<sup>^</sup> Reclassified after the adoption of new Geo structure and shared expenses allocation

# Performance By Product

Revenue by Product



## Notebook

- 14-pt market premium
- Market share at 18.5%, up 2.6pts YTY

## Desktop

- 8-pt market premium
- Market share at 16.5%, up 1.3pts YTY

## MIDH

- Revenue up 106% YTY with profitability improvement
- Strong WW smartphone shipments up 78% YTY
- WW tablet shipments up 4.2x YTY

\* Note: miscellaneous businesses including servers, services and software, EMC JV and CCE & Medion's non-PC business.

# Appendix

- Consolidated Income Statement

- Condensed Consolidated Cash Flow Statement



# Consolidated Income Statement

<i>US\$ Million</i>	Q2 FY2013/14	Interim FY2013/14	Q2 FY2012/13	Interim FY2012/13
<b>Revenue</b>	9,774	18,561	8,672	16,682
<b>Cost of sales</b>	(8,509)	(16,105)	(7,533)	(14,496)
<b>Gross profit</b>	1,265	2,456	1,139	2,186
<b>Other income/(loss), net</b>	1	1	-	-
<b>Selling and distribution expenses</b>	(476)	(914)	(489)	(935)
<b>Administrative expenses</b>	(318)	(664)	(287)	(569)
<b>Research and development expenses</b>	(190)	(360)	(153)	(288)
<b>Other operating income/(expense) – net</b>	1	(34)	(4)	(6)
<b>Operating profit</b>	283	485	206	388
<b>Finance income</b>	7	19	10	21
<b>Finance costs</b>	(20)	(35)	(11)	(19)
<b>Share of (losses)/gains of associates and jointly controlled entities</b>	(5)	11	(1)	(1)
<b>Profit before taxation</b>	265	480	204	389
<b>Taxation</b>	(51)	(96)	(41)	(82)
<b>Profit for the period</b>	214	384	163	307
<b>Profit/(losses) attributable to:</b>				
<b>Equity holders of the company</b>	220	394	162	303
<b>Non-controlling interests</b>	(6)	(10)	1	4
<b>Dividend</b>	-	80	-	60
<b>Earnings per share attributable to equity holders of the Company (US cents)</b>				
<b>- Basic</b>	2.12	3.79	1.58	2.95
<b>- Diluted</b>	2.10	3.75	1.55	2.89



# Condensed Consolidated Cash Flow Statement

<i>US\$ Million</i>	Q2 2013/14	Q2 2012/13	Q1 2013/14
Net cash (used in)/generated from operating activities	(189)	143	140
Net cash used in investing activities	(102)	(328)	(139)
Net cash (used in)/generated from financing activities	(258)	58	(49)
Decrease in cash and cash equivalents	(549)	(127)	(48)
Effect of foreign exchange rate changes	6	18	7
Cash and cash equivalents at the beginning of the period	3,413	3,563	3,454
Cash and cash equivalents at the end of the period	2,870	3,454	3,413

THANK YOU GRAZIE **MERCI** DANKE **GRAZIAS** 謝謝 **СПАСИБО**  
GRACIAS **OBRIGADO** ありがとう **DANK** TAKK **BEDANKT** DAKUJEM