



2014/15 Q2 Results



Forward Looking Statement

This presentation contains “forward-looking statements” which are statements that refer to expectations and plans for the future and include, without limitation, statements regarding Lenovo’s future results of operations, financial condition or business prospects as well as other statements based on projections, estimates and assumptions. In some cases, these statements can be identified by terms such as "expect," "intend," "plan," "believe," "estimate," "may," "will," "should" and comparable words (including the negative of such words). These forward-looking statements, reflect the current expectations and plans of the directors and management of Lenovo, which may not materialize or may change. Many risks, uncertainties and other factors, some of which are unpredictable and beyond Lenovo’s control, could affect the matters discussed in these forward-looking statements. These factors include, without limitation, economic and business conditions globally and in the countries where we operate, Lenovo’s ability to predict and respond quickly to market developments, consumer demand, pricing trends and competition; changes in applicable laws and regulations (including applicable tax and tariff rates). Any variance from the expectations or plans on which these forward-looking statements are based could cause Lenovo’s actual results or actions to differ materially from those expressed or implied in these statements. These forward-looking statements are not guarantees of future performance and you are cautioned not to place undue reliance on these statements. Lenovo undertakes no obligation to update any forward-looking statements in this presentation, whether as a result of new information or any subsequent change, development or event. All forward-looking statements in this presentation are qualified by reference to this paragraph.



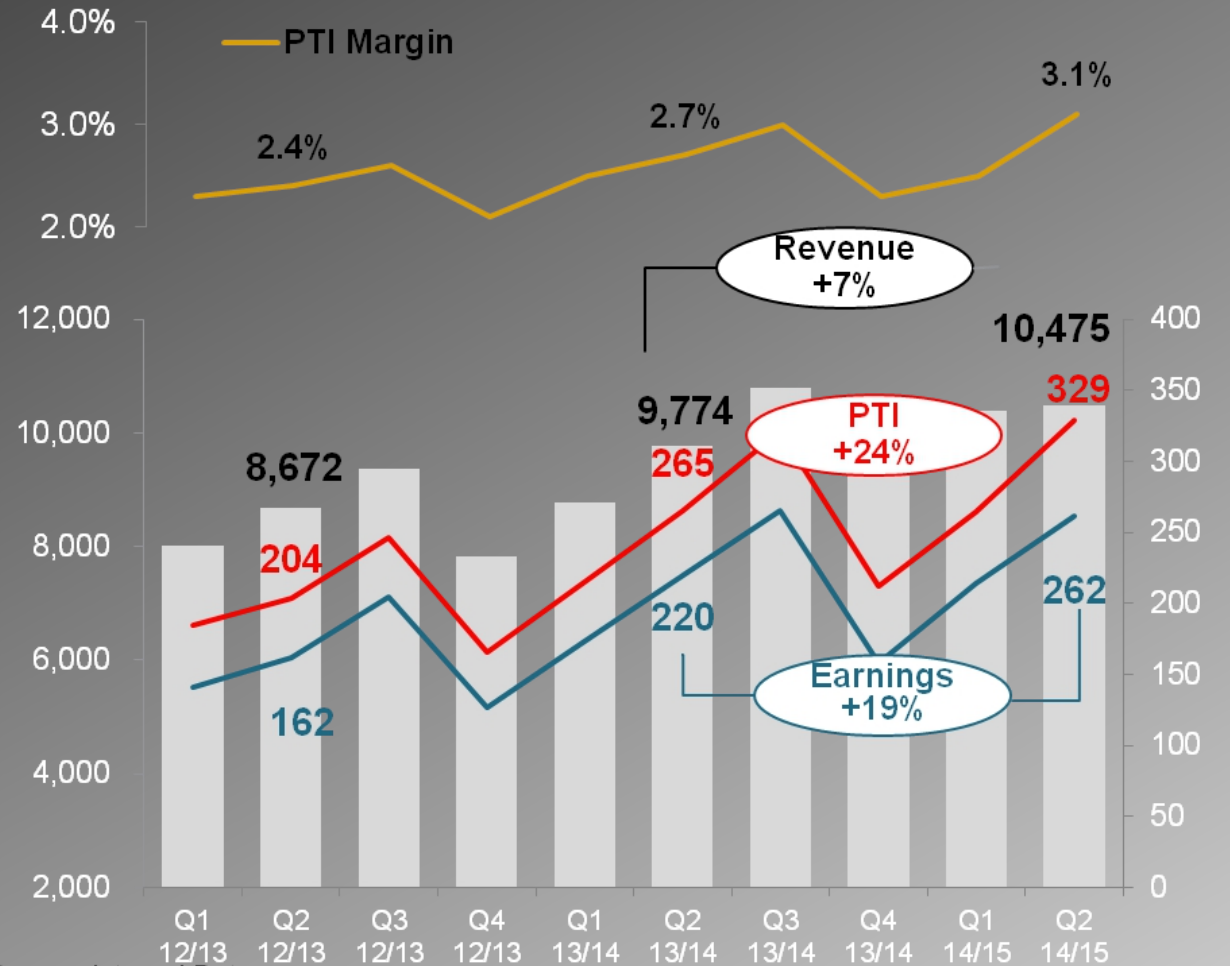
Yuanqing Yang Chairman and CEO



A Strong Second Quarter

- Revenue grew **7%** YTY
- Earnings up **19%** YTY to **\$262** million USD
- Delivered on commitment to improve profitability

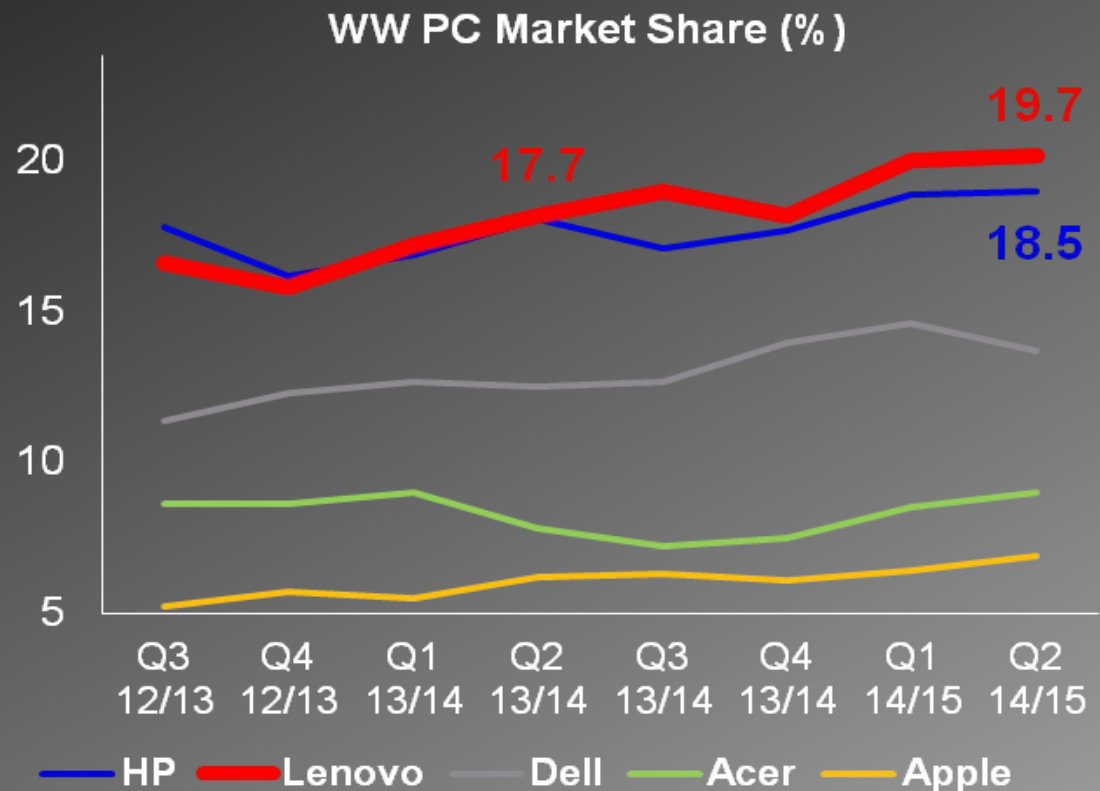
Consistent Growth in Rev, PTI & Earnings



Source: Internal Data

Strong Growth Starts with Record PC, Tablet Share

- PCs: Gained **2.1** points to reach all-time high share of **19.7%**
 - Strengthened position as worldwide leader, gained share in every Geo first half
- Tablets: Gained almost **1** point of share, **#3** in the world



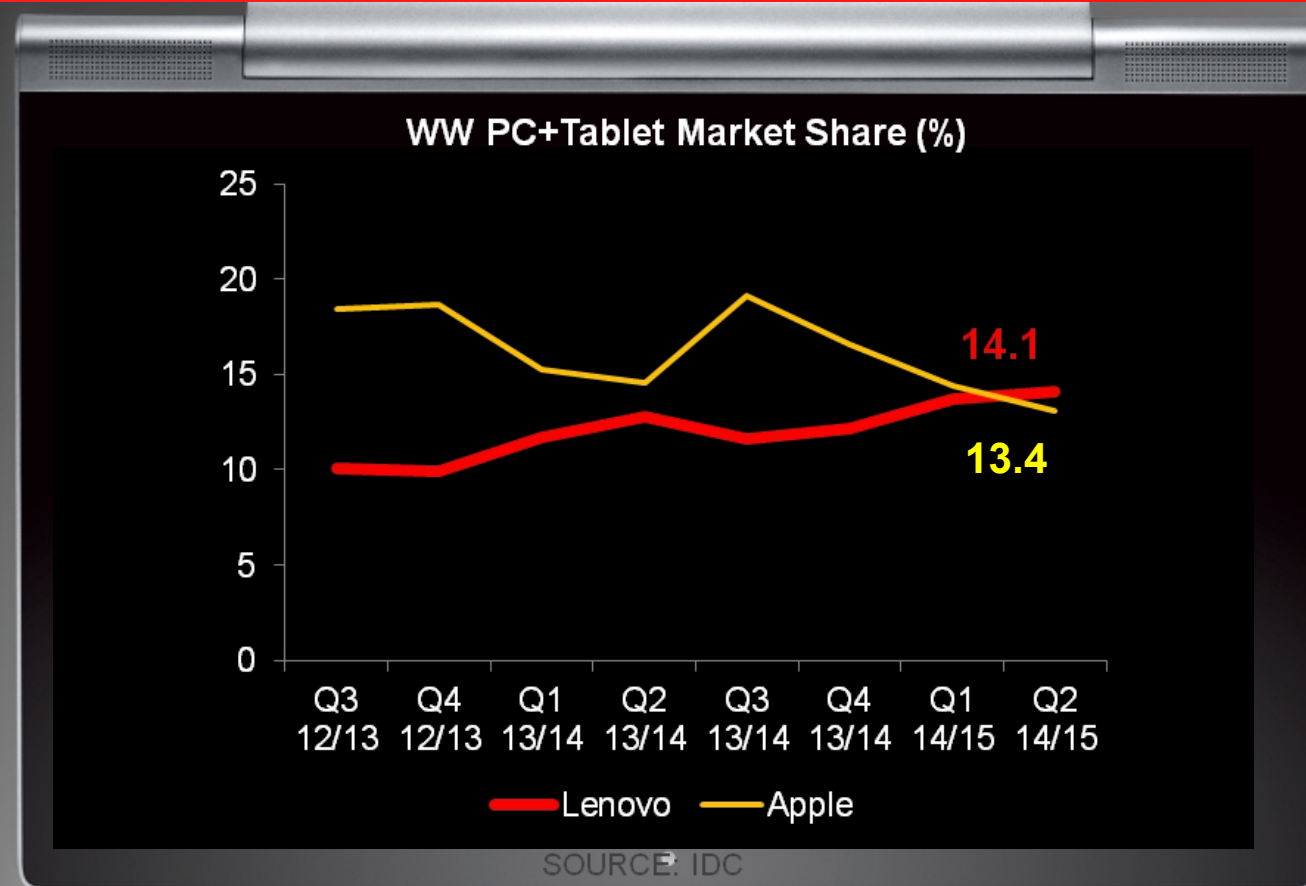
SOURCE: IDC



lenovo

Number 1 in Tablet + PC for First Time

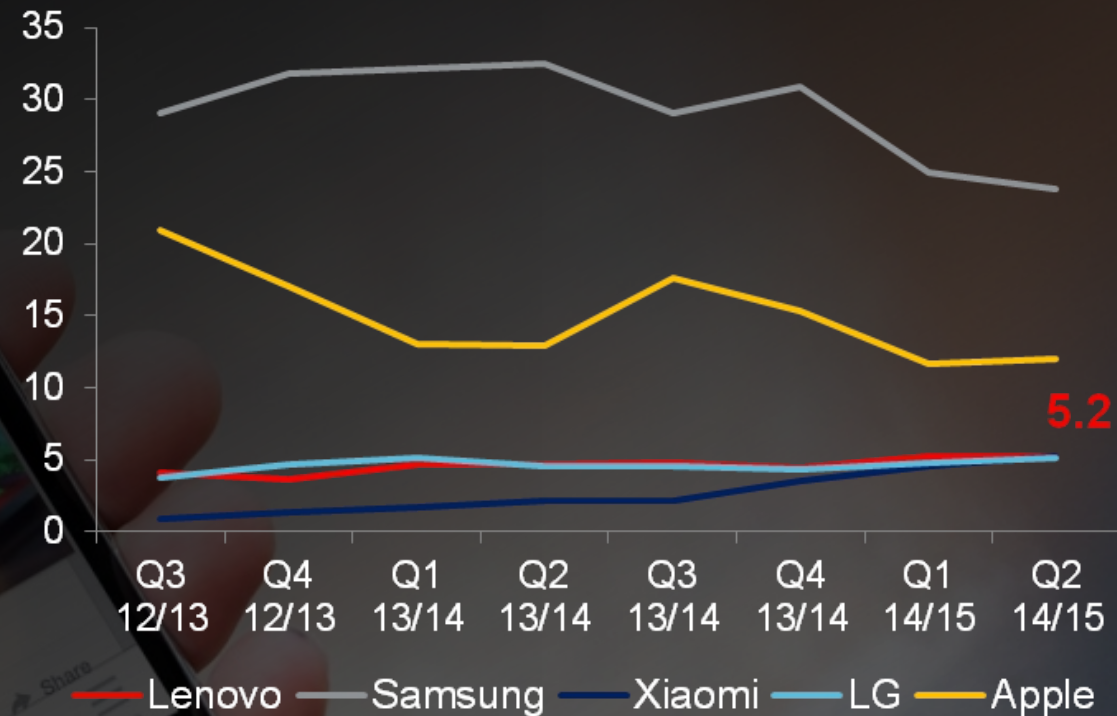
- Some predicted tablets would kill PCs.... But **NOT** Lenovo.
- Lenovo said tablets would be cannibalized by Convertibles and Smartphones, and we **DOUBLED DOWN** and set bold targets.
- The market has spoken: Lenovo is **#1** in Tablet+PC **6 quarters** ahead of plan!



Smartphones: Record Growth, Rapid Expansion Outside China

- Smartphones: Remained #4 in world
 - Lenovo + Moto = **#3**
- Record volume from sales in **45+** countries
 - Unit growth SKYROCKETS outside China:
 - India/Southeast Asia: **120%**
 - Russia/EMEA Emerging: **400%**
 - Latin America: **150%**

WW Smartphone Market Share (%)



SOURCE: IDC

Our Formula for Success Continues to Work

2014/15

Protect PC

Profit Pools
China PC Leadership
Deliver steady Think profits in all regions
Drive Peripherals / Monetization / Services

Profitable Growth
Reach healthy profit margin on Consumer PC
Continue to grow profitable SMB business
Deliver customer-focused innovations to drive profitable growth

Attack PLUS Business

Mobile Business Group
Tablet
Leverage PC capabilities and push innovation to drive Tablet profitable growth
Smartphone
Share premium smartphone market with Samsung
Drive for quick turnaround
Expand aggressively in emerging markets

Enterprise Business Group
Ensure business continuity / growth for the IBM x86 acquisition
Launch NextGen ThinkServer portfolio
Focus on high margin, low cost Data Center market

ECS Business Group
Build ecosystem and cloud service to better serve our customers every day and deliver an excellent Lenovo user experience

Clear Strategy

Internet Transformation

Embrace Internet Transformation in all businesses across all value chain

Innovation Leadership

Product Offerings & User Experience | New Categories & Businesses | Global Branding

Operational Excellence

Global-Local Business Model | Cost Leadership in PC's | Improve time-to-volume & Perfect Order Fulfillment | Sustainable | Quality leadership

Operational Excellence

（武汉）生产基地落成开业仪式
MIDH Wuhan Operation Center
Opening Ceremony 2013.12.19
联想移动互联（武汉）生产基地开业仪式
Lenovo MIDH Wuhan Operation Center Grand Opening Ceremony 2013.12.19

61 AWARDS...

Innovative Products

AURA SOFTWARE, CEA HONOREE 2014 CES INNOVATIONS DESIGN AND ENGINEERING...
ENTERPRISERUNNER, THE BEST OF CES 2014 STREAMING MEDIA...
COMPUTER PERIPHERALS - HORIZON 2: POPULAR SCIENCE THE 12 BEST PRODUCTS...
HORIZON 2: LAPTOP MAG PEOPLE CHOICE FINALIST BEST OF CES 2014 CHOICE...
COMPUTER HARDWARE - BEACON: THE BEST OF CES 2014 DESIGN & INNOVATION...
COMPUTER SHOPPER...
MIX 2 10 & 11 LAPTOPS...
OF CES 2014...
CES 2014... THINKPAD...
THINKPAD 8: DIGITAL TRENDS BEST OF CES TABLETS FINALIST...
MOBILE FINALIST... THINKPAD 8: SMOOTHMOTION BEST OF CES...
2014 BEST WINDOWS TABLET... THINKPAD 8: PC PRO BEST OF CES 2014 BEST TABLET...
2014 BEST WINDOWS TABLET... THINKPAD 8...
AWARDS THE BEST OF CES 2014 BEST TABLET... THINKPAD 8...
BUDGETS OF CES 2014... THINKPAD YOGA LAST GADGET STANDING SEMI-FINALIST...
INNOVATION & DESIGN... THINKVISION 20: TECHNOLOGIES BEST OF CES...
OF CES DISPLAYS AND TV'S WINNER... VIBE 2: DIGITAL TRENDS BEST OF CES SMARTPHONES FINALIST...
LAPTOP MAG BEST OF CES SMARTPHONES AND ENGINEERING...
K1 CARBON: COMPUTER SHOPPER BEST OF CES ULTRABOOK...
K1 CARBON: INNOVATION DESIGN & INNOVATION...
K1 CARBON: ENGINEERING DESIGN & INNOVATION...
CES ULTRABOOKS FINALIST... K1 CARBON: NOTEBOOKS.COM BEST OF CES ULTRABOOK AND...
LINT BEST OF CES ULTRABOOK... K1 CARBON: TECHRADAR CES 2014 THE DREAM OF THE...
55... K1 CARBON: OVERLAP BEST OF CES 2014 BEST LAPTOP... K1 CARBON: CRN...
COMPUTERS... K1 CARBON: LOWVOLTAGE BEST OF CES 2014 TOP PRODUCTS... K1 CARBON...
K1 CARBON: DIGITAL TRENDS BEST OF CES TABLETS FINALIST... K1 CARBON: PC...
... K1 CARBON... CES 2014 BEST LAPTOP...
... K1 CARBON... BEST OF CES 2014 TOP PRODUCTS...

Diverse Global Team

Motorola / IBM Acquisitions Closed

- Immediately **top 3** in WW enterprise and smartphone markets
- Two new growth engines that will become profit pools
- We will attack the top 2 to become the leader – just like in PCs



MOTOROLA

IBM

Enterprise: Building a Profitable \$5b Business

- Grow the top line
- Leverage Lenovo supply chain to reduce costs
- Deliver profits better than PC business in 1 year

THE NEW
X FACTOR

lenovo

System x

Smartphones: Building a True GLOBAL Player

- Proven winner in China: **Top 2** for **10** straight quarters – and we remain committed
 - Maintain traditional channels, including Telco
 - Build new Internet-based company
- Must be a **GLOBAL** player to drive sustainable growth
- Lenovo and Moto together are in best position; Now operate in ALL key markets



Growth Through Innovation

- Innovation always been a core strength at Lenovo
- Will continue to drive growth through innovation
 - New wave products of YOGA family
 - Lenovo Vibe smartphones
 - System X server line
 - Moto X, Moto 360 watch, Hint Bluetooth



Outlook: We have the Momentum; We have the Capabilities

- Strong performance demonstrates our clear **momentum**
- Motorola, System X acquisitions strengthen our capabilities
- Will compete across smart connected devices, infrastructure devices and ecosystem





Wong Wai Ming
Chief Financial Officer



Financial Summary

US\$ Million	Q2 FY 2014/15	Q2 FY2013/14	Y/Y%	Q/Q%	Interim FY2014/15	Y/Y%
Revenue	10,475	9,774	7%	1%	20,870	12%
Gross Profit	1,457	1,265	15%	8%	2,806	14%
Operating Expenses	(1,092)	(982)	11%	3%	(2,150)	9%
Operating Profit	365	283	29%	26%	656	35%
Other Non-Operating Expenses	(36)	(18)	95%	35%	(63)	1130%
Pre-tax Income	329	265	24%	25%	593	23%
Taxation	(57)	(51)	11%	7%	(110)	14%
Profit for the period	272	214	27%	29%	483	26%
Non-controlling interests	(10)	6	N/A	N/A	(7)	N/A
Profit attributable to Equity Holders	262	220	19%	23%	476	21%
EPS (US cents)						
- Basic	2.52	2.12	0.40	0.46	4.58	0.79
- Diluted	2.49	2.10	0.39	0.46	4.52	0.77
Dividend per share (HK cents)					6.00	Nil

	Q2 FY 2014/15	Q2 FY2013/14	Q1 FY2014/15
Gross margin	13.9%	12.9%	13.0%
E/R ratio	10.4%	10.0%	10.3%
Operating margin	3.5%	2.9%	2.7%
PTI margin	3.1%	2.7%	2.5%
Net margin attributable to Equity Holders	2.5%	2.3%	2.1%

Condensed Balance Sheet

US\$ Million

Non-current assets

Property, plant and equipment

Intangible assets

Others

Current assets

Bank deposits and cash

Trade, notes and other receivables

Inventories

Others

Current liabilities

Short-term bank loans

Trade, notes, other payables and provisions

Others

Net current assets

Non-current liabilities

Total equity

**As at
Sep 30, 2014**

**As at
Jun 30, 2014**

5,243

5,226

723

701

3,434

3,531

1,086

994

16,360

15,508

5,323

5,532

7,854

7,132

2,964

2,759

219

85

14,765

14,095

195

457

13,970

13,050

600

588

1,595

1,413

3,752

3,384

3,086

3,255

Cash and Working Capital

US\$ Million	Q2 FY2014/15	Q2 FY2013/14	Q1 FY2014/15
Bank deposits and cash	5,323	3,015	5,532
Total Bank Borrowings	2,089	452	1,954
Net Cash Reserves	3,234	2,563	3,578
Net cash generated from/ (used in) operating activities	218	(189)	378
Days Inventory	30	28	28
Days Receivable	34	34	32
Days Payable	69	65	66
Cash Conversion Cycle	-5 days	-3 days	-6 days

Performance By Geography

China

- Protected profit pool and improved China overall margin by 0.5pts YTY to 5.8%
- China PC shipments returned to positive growth for the first time in 6 quarters, up 4.8% YTY
- Protected PC leadership at 36.7% share with margin improvement (7.0%; +0.2pts)
- Actions in broadening routes-to-market and new internet business model to address challenges in the smartphone market

AP

- Record high operating margin at 4.4%, up 2.7pts YTY
- Record high PC market share at 16.0%, up 1.5pts YTY
- Strong PC growth in ASEAN (+20.9% YTY) & ANZ (+57.1% YTY)
- Profitability of Japan, India, ASEAN, ANZ continued to improve YTY
- Strong smartphone volume at 1.5M, +1.2x YTY, mainly in ASEAN

EMEA

- Record high operating margin at 3.8%, up 2.3pts YTY; Revenue grew 33% YTY
- Record high PC share of 19.3%; up 4.4 pts YTY
- PC volume up 44% YTY, outperformed market by 33 pts
- #1 in 16 EMEA countries including key markets, e.g. Germany, Eastern Europe, Russia;
- Smartphone volume reached record high 1.6M, +4.6x YTY
- Tablet volume reached record high 1.8M, +1.2x YTY

AG (Americas)

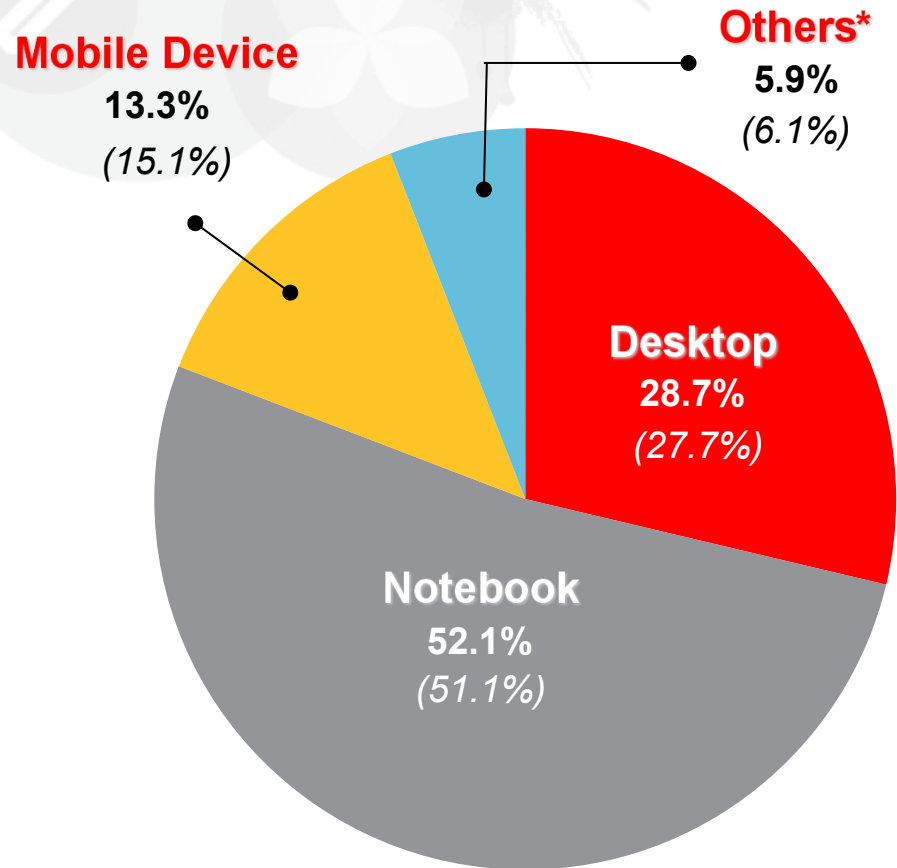
- PC Share at 11.3%, down 0.1pts YTY
- NA grew by 7.4% YTY with margin improvement by more than 1pt YTY
- Profitability of LAS also improved YTY
- Actions taken to stabilize Brazil

	Revenue US\$ Nillion			Segment Operating Profit US\$ Million			Segment Operating Profit Margin		
	Q2 FY15	Y/Y	Q/Q	Q2 FY15	Q2 FY14	Q1 FY15	Q2 FY15	Q2 FY14	Q1 FY15
	China	3,766	(94)	(14)	218	206	209	5.8%	5.3%
China – PC [#]	3,067	172	275	215	197	195	7.0%	6.8%	7.0%
AP	1,553	51	(32)	68	25	64	4.4%	1.7%	4.1%
EMEA	3,011	753	222	115	35	95	3.8%	1.5%	3.4%
AG	2,145	(9)	(96)	14	30	25	0.6%	1.4%	1.1%

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

Performance By Product

Revenue by Product



Notebook

- Shipments up 14%; 13-pt market premium
- Market share at 21.0%, up 2.5pts YTY
- Revenue up 9% YTY

Desktop

- Shipments up 6%; 9-pt market premium
- Market share at 18.0%, up 1.5pts YTY
- Revenue up 11% YTY

Mobile Device

- Smartphone shipments grew 38% YTY
- WW smartphone share up 0.5pts YTY to 5.2%
- Tablet shipments up 31% YTY
- Revenue decline 6% 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 FY 2014/15	Interim FY2014/15	Q2 FY2013/14	Interim FY2013/14
Revenue	10,475	20,870	9,774	18,561
Cost of sales	(9,018)	(18,064)	(8,509)	(16,105)
Gross profit	1,457	2,806	1,265	2,456
Other income, net	1	1	1	1
Selling and distribution expenses	(491)	(958)	(476)	(914)
Administrative expenses	(391)	(760)	(318)	(664)
Research and development expenses	(203)	(383)	(190)	(360)
Other operating (expense)/income - net	(8)	(50)	1	(34)
Operating profit	365	656	283	485
Finance income	8	18	7	19
Finance costs	(43)	(78)	(20)	(35)
Share of (losses)/gains of associated companies	(1)	(3)	(5)	11
Profit before taxation	329	593	265	480
Taxation	(57)	(110)	(51)	(96)
Profit for the period	272	483	214	384
Profit attributable to:				
Equity holders of the company	262	476	220	394
Non-controlling interests	10	7	(6)	(10)
Dividend	-	86	-	80
Earnings per share (US cents)				
- Basic	2.52	4.58	2.12	3.79
- Diluted	2.49	4.52	2.10	3.75

Condensed Consolidated Cash Flow Statement

US\$ Million	Q2 2014/15	Q2 2013/14	Q1 2014/15
Net cash generated from/(used in) operating activities	218	(189)	378
Net cash used in investing activities	(203)	(102)	(302)
Net cash (used in)/generated from financing activities	(161)	(258)	1,498
(Decrease)/Increase in cash and cash equivalents	(146)	(549)	1,574
Effect of foreign exchange rate changes	(62)	6	5
Cash and cash equivalents at the beginning of the period	5,437	3,413	3,858
Cash and cash equivalents at the end of the period	5,229	2,870	5,437

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