

2014/15 Annual Results

May 21, 2015

Lenovo®

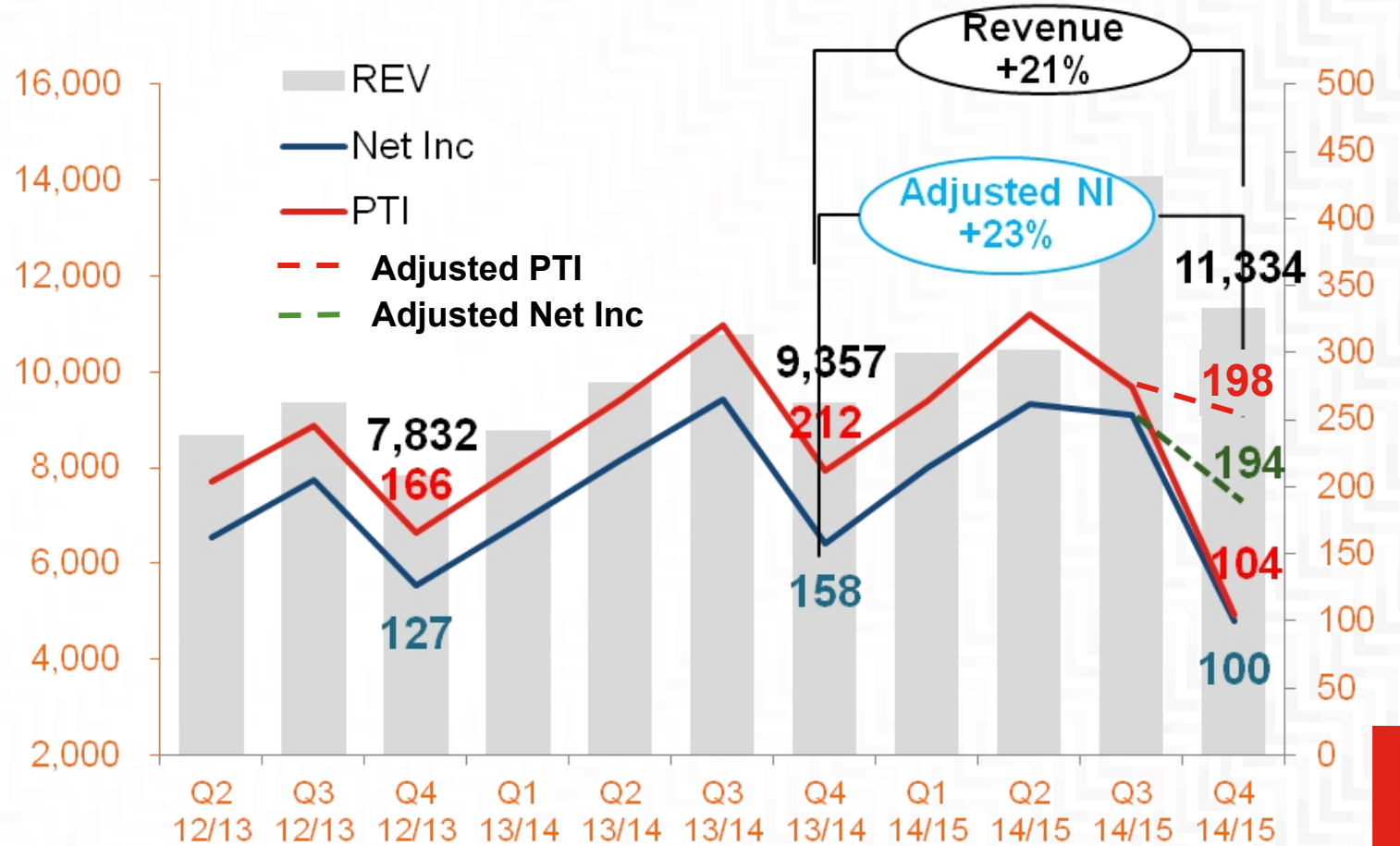


+ Forward Looking Statement

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+ Strong Fourth Quarter

- Revenue up **21%** YTY, up **28%** excluding exchange rate impact
- PTI was **\$198M*** before M&A charges, **-7%** YTY
- Net Income was **\$194M*** before M&A charges, up **23%** YTY

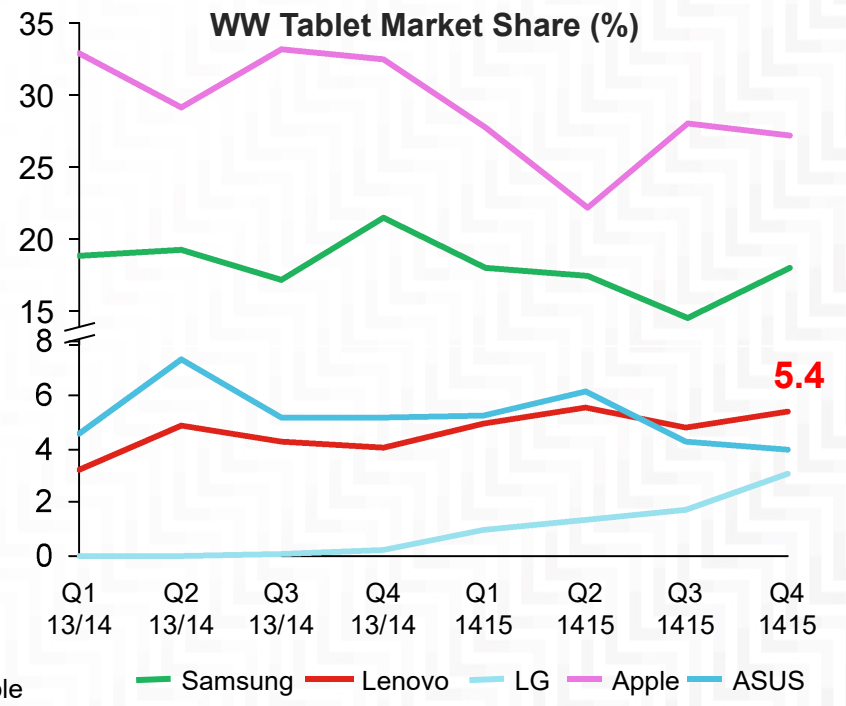
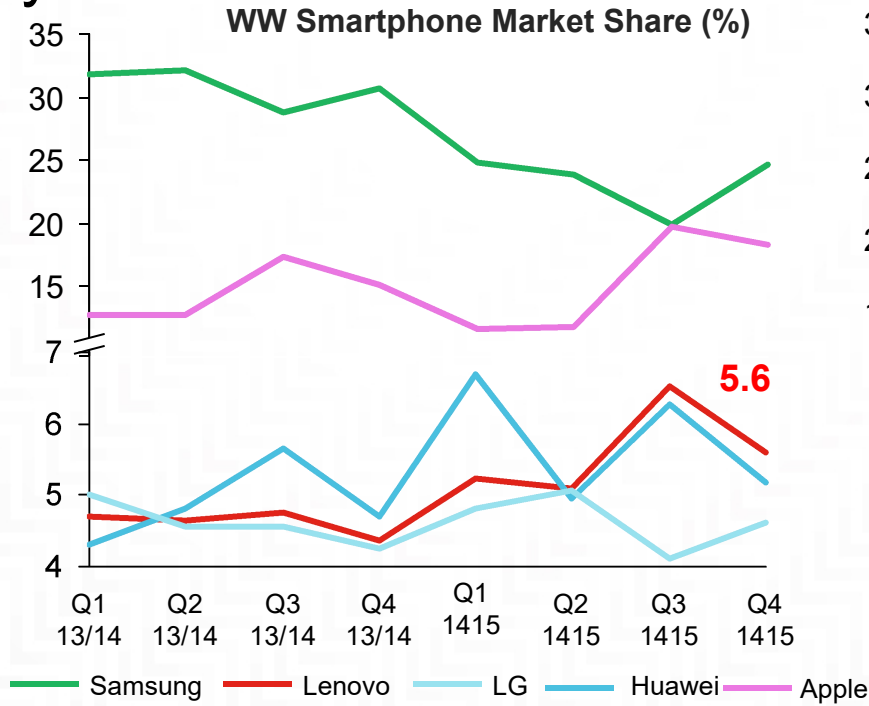
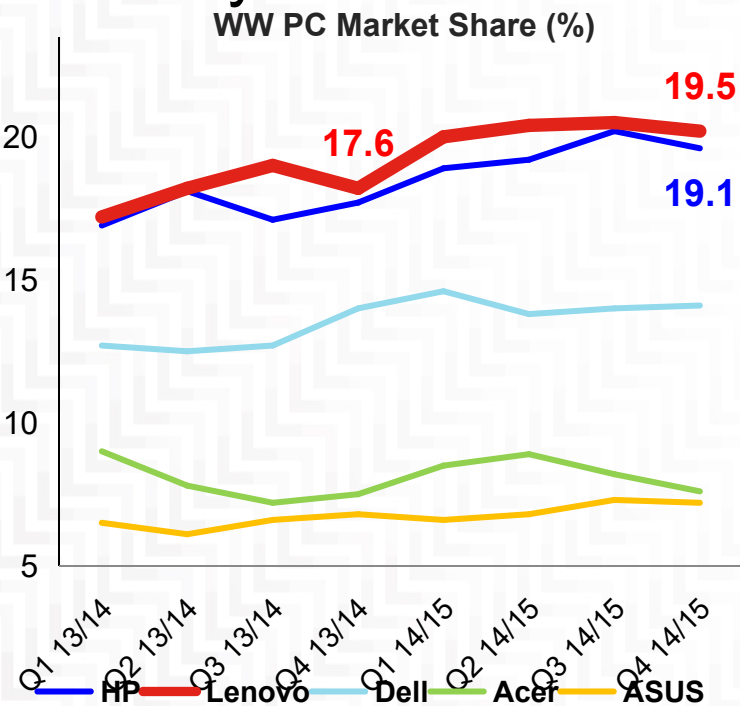


Source: Internal Data

*Before non-cash M&A related accounting charges

+ Strong Fourth Quarter

- PC: #1 for **8 straight quarters**; Improved PTI margin by **1 point** YTY
- Mobile
 - SP share up **1.2 points** YTY, Motorola volume grew **23.6%** YTY
 - Rapid global SP growth; **56% of volume** outside China
 - Tablets gained **1.3 points** share YTY
 - Now **#3** in both smartphones and tablets
- EBG: ThinkServer revenue grew **41%** YTY, System x revenue decline narrowed, operational margin improved **4.2 points** YTY to **2.7%**
- Ecosystem: **70M** monthly active users

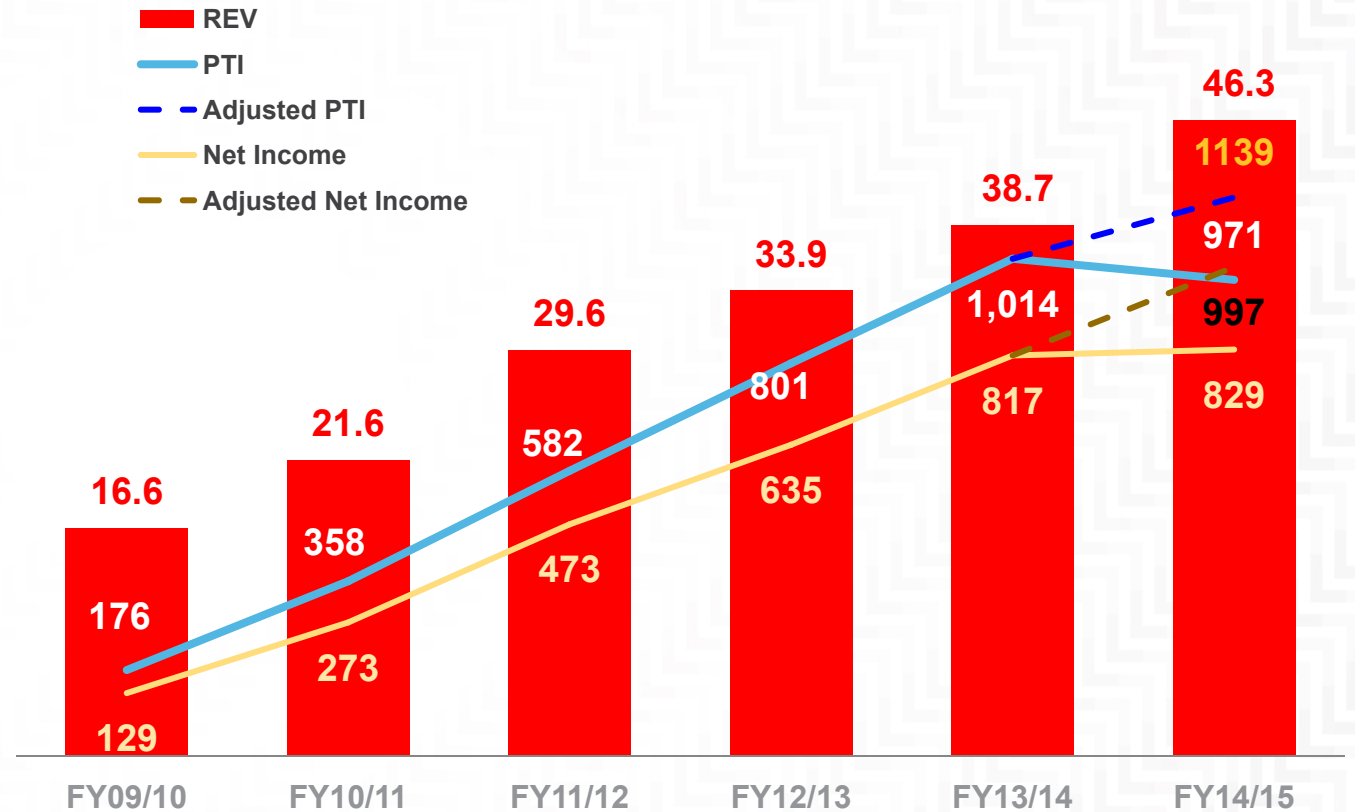


Source: IDC

+ Record Fiscal Year

- **Record revenue:**
 - \$46.3B, up **20%** YTY
- **Record PTI** before M&A charges:
 - \$1.139B*, up **12%** YTY
- **Record net income** before M&A charges:
 - \$997M*, up **22%** YTY

Revenue (\$B), PTI and Net Income (\$M)



Source: Internal Data

*Before non-cash M&A related accounting charges

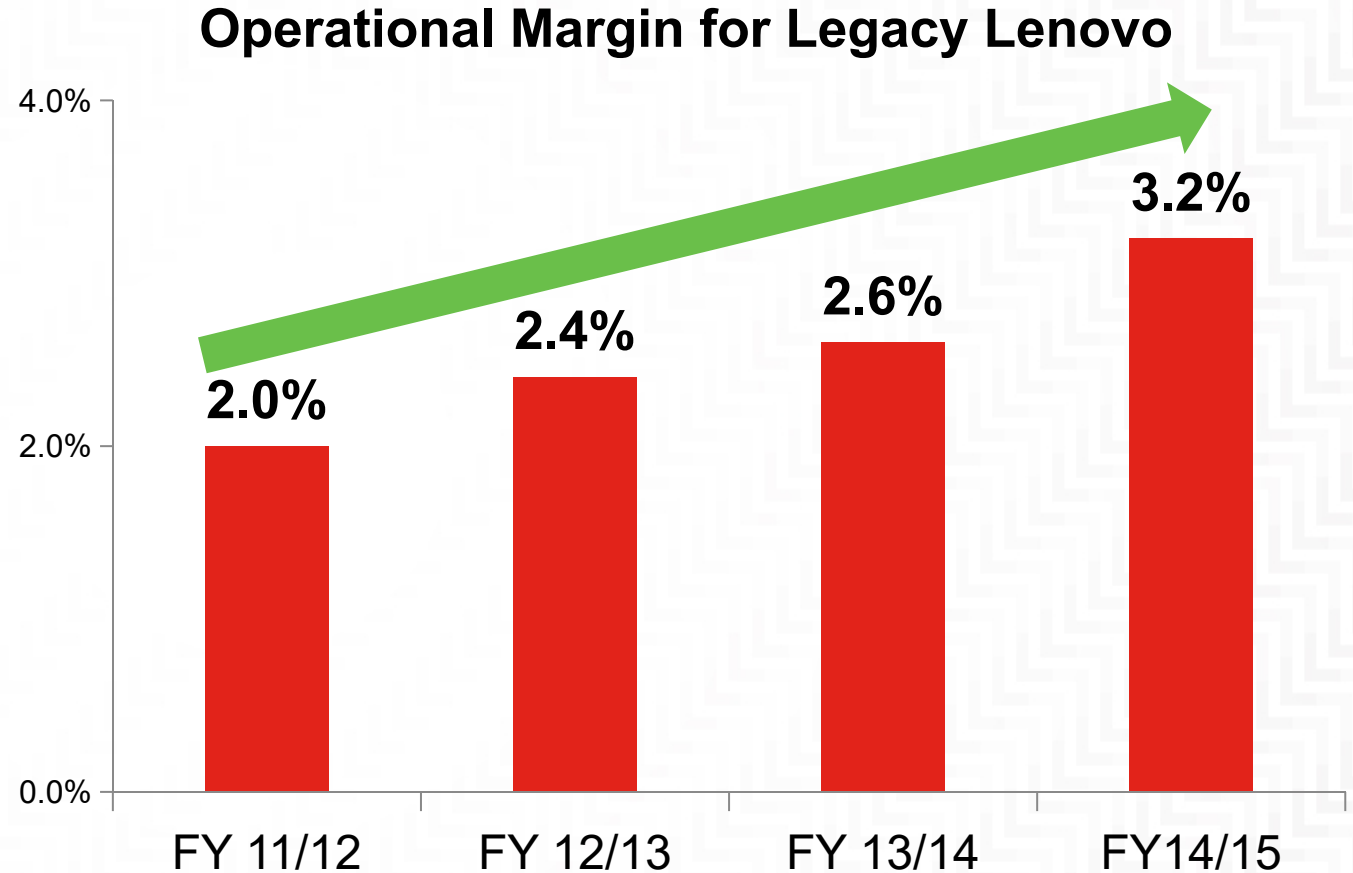
+ Strong Performance Across All Product Lines

- PC: Reached **all-time high market share** of **19.7%**, grew at **11-point premium** to market
- Mobile:
 - Smartphone: **Record volume** of **76M**
 - Tablet: Gained **1 point** of share YTY, outgrew market by more than **24 points**
- Enterprise:
 - ThinkServer revenue grew **49%** YTY
 - System x: Revenue stabilizing gradually, profit improved
- ECS: Record **400M users**, up **300%** YTY with **\$167M** in revenue



+ Overachieved profitability commitment for Legacy business

- Commitment 3 years ago: Improve legacy business operational margin by 1 pt
- Overachieved from **2%** in FY11/12 to **3.2%** in FY14/15



Source: Internal Data

Protect and Attack 2015/16

Protect profit & core Attack new markets & profit pools

| PC | Enterprise | Mobile | Ecosystem & Cloud |
|--|--|--|---|
| Accelerate to undisputed #1 in global PC with better profitability leveraging industry consolidation | Leverage synergies and innovation to fund the growth | Drive mobile profitable growth through global expansion, differentiated "Device + Service" user experience | Expand ecosystem and cloud services and deliver a differentiated "Device + Service" user experience |

Clear Strategy

- Business Model Transformation**
Unique business models | Start-up model | Internet model
 - Innovation Leadership**
Customer-driven product & services innovation | Global branding | New markets | Premium products | Security | Quality leadership
 - Operational Excellence**
Global-local business model | In-house manufacturing | Vertical integration | Sustainability | On time delivery | Quality leadership
 - Global Culture**
Customer focused | 5P culture | Diversity & inclusion | Entrepreneurship
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Operational Excellence

OUR FORMULA FOR SUCCESS

Innovative Products

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Diverse Global Team

+ Integrations on Track

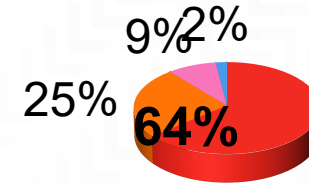
- Confident in strategic direction, while building a foundation for future
- Confident build a **\$5B** Enterprise business with stronger profit 1 year after closing
- Remain firm on turning Motorola around in **4-6 quarters** after closing



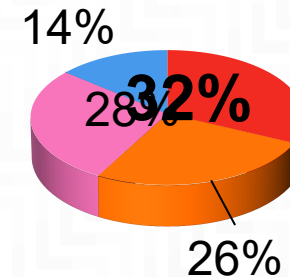
+ More Balanced Business

- Balanced growth and acquisitions make Lenovo more diverse
- In Products:
 - PC: 82% to **64%** of revenue from first to second half of FY
 - Mobile **25%**, Enterprise **9%** of revenue
- In Geographies:
 - China **32%**
 - EMEA **28%**
 - Americas **26%**
 - AP **14%**

2H 14/15 with acquisitions by Product Group



FY 14/15 by GEO



+ Protect and Attack

- PC: Fully leverage industry consolidation, innovation, our scale and efficiency to grow share, protect profit pool
- Enterprise: Leverage synergies to fund growth
- Smartphones: Grow with dual brand strategy
- Tablets: Drive sales globally by leading in innovation
- Ecosystem: Expand active users, provide great applications and user experience



+ Organization Aligned to Strategy

- Ensures **better focus**

- Combined PC and Enterprise under Gianfranco Lanci, President and COO
- Mobile, ECS, IoT interrelated, Yuanqing Yang focused more on these areas

MBG, ECS and IoT

- Mobile, ECS, IoT interrelated
- Untapped growth potential

Mobile
Business
Group

Ecosystem
& Cloud
Services

PCG/EBG

- Synergies in R&D, supply chain, procurement
- Opportunities in channels and customer base

PC
Business
Group



Enterprise
Business
Group

+ New Mission as Customer-Centric Company

Transform from
making hardware
to making hardware,
software and cloud
services



Transform from
one-time purchase
model to multiple
touch-points model



Lenovo™

TechWorld

创新无止境 Innovation Never Stands Still

+ FY15 Financial Highlights

- **Group revenue of US\$46.3B, up 20% YTY, includes two quarters of System X and 5 months of Motorola performances**
- **Group PTI before non-cash M&A-related accounting charges was US\$1,139M, up 12% YTY**
 - Non-cash M&A-related accounting charges, such as intangible asset amortization, imputed interest expense of promissory notes and others were US\$168M
- **Group PTI of US\$971M and Group Net Income of US\$829M**
- **Group Net Income before non-cash M&A related accounting charges was US\$997M, up 22% YTY**
- **On continuous track to profitability improvement commitment**

+ Financial Summary

| <i>US\$ Million</i> | FY2014/15 | Y/Y% | Q4 FY2014/15 | Q4 FY2013/14 | Y/Y% | Q/Q% |
|--|------------------|------------------|---------------------|---------------------|---------------------|-------------|
| Revenue | 46,296 | 20% | 11,334 | 9,357 | 21% | -20% |
| Gross Profit | 6,682 | 32% | 1,779 | 1,244 | 43% | -15% |
| Operating Expenses | (5,574) | 39% | (1,652) | (1,013) | 63% | -7% |
| Operating Profit | 1,108 | 5% | 127 | 231 | -45% | -61% |
| Other Non-Operating Expenses – net | (137) | 263% | (23) | (19) | 20% | -54% |
| Pre-tax Income | 971 | -4% | 104 | 212 | -51% | -62% |
| Taxation | (134) | -32% | (7) | (44) | -85% | -61% |
| Profit for the year/period | 837 | 2% | 97 | 168 | -42% | -62% |
| Non-controlling interests | (8) | 3160% | 3 | (10) | NA | NA |
| Profit attributable to Equity Holders | 829 | 1% | 100 | 158 | -37% | -61% |
| EPS (US cents) | | | | | | |
| - Basic | 7.77 | (0.11) | 0.91 | 1.53 | (0.62) | (1.41) |
| - Diluted | 7.69 | (0.09) | 0.90 | 1.51 | (0.61) | (1.40) |
| Dividend per share (HK cents) | 26.50 | 2.50 | | | | |
| | FY2014/15 | FY2013/14 | Q4 FY2014/15 | Q4 FY2013/14 | Q3 FY2014/15 | |
| Gross margin | 14.4% | 13.1% | 15.7% | 13.3% | 14.9% | |
| E/R ratio | 12.0% | 10.4% | 14.6% | 10.8% | 12.6% | |
| Operating margin | 2.4% | 2.7% | 1.1% | 2.5% | 2.3% | |
| PTI margin | 2.1% | 2.6% | 0.9% | 2.3% | 1.9% | |
| Net margin attributable to Equity Holders | 1.8% | 2.1% | 0.9% | 1.7% | 1.8% | |

Summary : Accounting Operating Profit Vs “PTI before non-cash M&A related accounting charges”

| | FY14/15 | FY13/14 | Change (YTY) |
|---|--------------|--------------|--------------|
| Accounting Operating Profit (As-Reported) | 1,108 | 1,052 | +5% |
| - Other Non-Operating Expenses | -137 | -38 | +263% |
| Pre-tax Income (As-Reported) | 971 | 1,014 | -4% |
| + Non-Cash M&A Related Accounting Charges | 168 | - | NA |
| PTI Before Non-Cash M&A Related Accounting Charges | 1,139 | 1,014 | +12% |
| - Tax | -134 | -197 | -32% |
| - Non-Controlling Interests | -8 | - | +3160% |
| - Non-Cash M&A Related Accounting Charges | -168 | - | NA |
| Net Income (As-Reported) | 829 | 817 | 1% |

+ Condensed Balance Sheet

US\$ Million

| | As at Mar 31, 2015 | As at Mar 31, 2014 |
|---|-----------------------|-----------------------|
| Non-current assets | 11,653 | 4,957 |
| Property, plant and equipment | 1,496 | 667 |
| Intangible assets | 8,930 | 3,340 |
| Others | 1,227 | 950 |
| Current assets | 15,428 | 13,400 |
| Bank deposits and cash | 3,026 | 3,953 |
| Trade, notes and other receivables | 9,085 | 6,620 |
| Inventories | 2,995 | 2,701 |
| Others | 322 | 126 |
| Current liabilities | 17,161 | 13,462 |
| Short-term bank loans | 1,168 | 445 |
| Trade, notes, other payables and provisions | 15,103 | 12,370 |
| Others | 890 | 647 |
| Net current liabilities | 1,733 | 62 |
| Non-current liabilities | 5,814 | 1,870 |
| Total equity | 4,106 | 3,025 |

+ Cash and Working Capital

| US\$ Million | FY2014/15 | FY2013/14 | Q4 FY2014/15 | Q4 FY2013/14 |
|---|-----------|-----------|--------------|--------------|
| Bank deposits and cash | 3,026 | 3,953 | 3,026 | 3,953 |
| Total Bank Borrowings | 3,054 | 455 | 3,054 | 455 |
| Net (Debt) / Cash Reserves | (28) | 3,498 | (28) | 3,498 |
| Net cash generated from / (used in) operating activities | 238 | 1,432 | (1,102) | 469 |
| Days Inventory | 29 | 28 | 32 | 32 |
| Days Receivable | 35 | 35 | 44 | 37 |
| Days Payable | 66 | 65 | 73 | 73 |
| Cash Conversion Cycle | -2 days | -2 days | 3 days | -4 days |

+ FY15 Performance by Business Group

PC

- PC shipments up 8.4% vs. market -2.8%
- WW share at 19.7%, up 2.0pts YTY
- Record share across GEOs, with strong performance in WE (+50% YTY) and MEA (+42% YTY)
- Profit growth with share gains in all geos, despite challenges in Brazil
- PC revenue up 5% YTY

Mobile

- Sold record 76M units, including 2-qtr of Motorola, up over 51.8%
- WW market share up 1.0pts YTY to 5.7%
- Record tablet shipments of 12M, up 26%, market share 5.1%, +1.0pt Y/Y; with strong growth overseas
- Mobile Revenue up 71% YTY to US\$9.1B (with 5 months' of Motorola)

Enterprise

- Strong growth of Think Server business
- ThinkServer revenue grew 49% YTY, System X continued to stabilize
- Enterprise revenue up 4.2x YTY

| | Revenue US\$ Million | | Segment Pretax Income US\$ Million | | Segment Pretax Income Margin | |
|------------|-------------------------|-------|---------------------------------------|-------|---------------------------------|--------|
| | FY15 | Y/Y | FY15* | FY14 | FY15* | FY14 |
| PC | 33,346 | 1,713 | 1,771 | 1,175 | 5.3% | 3.7% |
| Mobile | 9,142 | 3,788 | (370) | (57) | -4.0% | -1.1% |
| Enterprise | 2,628 | 2,123 | (121) | (68) | -4.6% | -13.5% |

* Included non-cash M&A-related accounting charges, such as intangible asset amortization, imputed interest expense of promissory notes and others

+ FY15 Performance by Geography

China

- Protected profit pool and China overall margin stayed flat at 5.4%
- **PC:** Market share continued to improve by 1.5pts to 36.6%, with stable margin
- **Mobile:** Transformation plan in place with aggressive expansion in internet model including ShenQi to sharpen competitiveness
- **Enterprise:** Leadership position with healthy shipments growth

AP

- Record high operating margin at 4.6%, up 2.8pts YTY
- **PC:** Market share at 15.7%, up 0.9pt YTY
- **Mobile:** Strong smartphone shipments growth (+1.1x) driven by Moto
- **Enterprise:** Leveraging Lenovo channel expertise and ecosystems to accelerate the business

EMEA

- Operating margin at 3.2%, up 1.2pts YTY; Revenue grew 34% YTY
- **PC:** Market share of 19.4%; up 4.5 pts YTY, driven by North & South
- **Mobile:** Strong smartphone shipments growth (+3.4x) driven by strong growth by both Lenovo and Motorola
- **Enterprise:** Attacking into Europe Enterprise segment

AG (Americas)

- Revenue grew 49% YTY
- **PC:** Market share at 11.7%, up 0.9pts YTY; Strong shipments growth for NA and LAS
- **Mobile:** Strong smartphone shipments growth combining Motorola
- **Enterprise:** Preparing to attack and capture more enterprise customers in future
- Continued actions to stabilize business in Brazil

| | Revenue US\$ Million | | Segment Pretax Income US\$ Million | | Segment Pretax Income Margin | |
|-------|-------------------------|-------|---------------------------------------|------|---------------------------------|------|
| | FY15 | Y/Y | FY15 | FY14 | FY15 | FY14 |
| China | 14,700 | (26) | 795 | 788 | 5.4% | 5.4% |
| AP | 6,550 | 387 | 302 | 109 | 4.6% | 1.8% |
| EMEA | 12,803 | 3,223 | 411 | 187 | 3.2% | 2.0% |
| AG | 12,243 | 4,005 | 8 | 69 | 0.1% | 0.8% |



Appendix

- ➔ - Summary : Accounting Operating Profit Vs “PTI before non-cash M&A related accounting charges” Performance by Geography – Q4 FY15
- Performance by Business Group – Q4 FY15
- Performance by Geography – Q4 FY15
- Consolidated Income Statement
- Condensed Consolidated Cash Flow Statement

Summary : Accounting Operating Profit Vs “PTI before non-cash M&A related accounting charges”

| | FY14/15 Q4 | FY13/14 Q4 | Change (YTY) |
|---|------------|------------|--------------|
| Accounting Operating Profit (As-Reported) | 127 | 231 | -45% |
| - Other Non-Operating Expenses | -23 | -19 | +20% |
| Pre-tax Income (As-Reported) | 104 | 212 | -51% |
| + Non-Cash M&A Related Accounting Charges | 94 | - | NA |
| PTI Before Non-Cash M&A Related Accounting Charges | 198 | 212 | -7% |
| - Tax | -7 | -44 | -85% |
| - Non-Controlling Interests | 3 | -10 | NA |
| - Non-Cash M&A Related Accounting Charges | -94 | - | NA |
| Net Income (As-Reported) | 100 | 158 | -37% |

+ Q4FY15 Performance By Business Group

PC

- PC shipments up 2.7% vs. market -7.0%
- WW share at 19.5%, up 1.8pts YTY
- Share gains across the board with strong performance in India (+42% YTY) and LAS (+22% YTY) and ASEAN (+12% YTY)
- PC PTI at US\$391M with margin at 5.5%, +1.0pt YTY

Enterprise

- Strong growth of Think Server business
- ThinkServer revenue grew 41% YTY, System X continued to stabilize (-5% YTY)
- Enterprise revenue up 7.6x YTY

Mobile

- WW #3 SP player, share up 1.2pts YTY to 5.6%
- Smartphones shipments grew strongly by 49% to 18.7M
- Motorola shipped 7.9M (+23.6% YTY)
- Tablet maintained WW #3, shipments grew 22% to 2.5M, share up 1.3pts to 5.4%
- Mobile Revenue up 1.5x YTY

| | Revenue US\$ Million | | | Segment Pretax Income US\$ Million | | | Segment Pretax Income Margin | | |
|------------|-------------------------|-------|---------|---------------------------------------|------------|-------------|---------------------------------|------------|-------------|
| | Q4 FY15 | Y/Y | Q/Q | Q4* FY15 | Q4 FY14 | Q3* FY15 | Q4* FY15 | Q4 FY14 | Q3* FY15 |
| PC | 7,160 | (633) | (1,987) | 391 | 351 | 494 | 5.5% | 4.5% | 5.4% |
| Mobile | 2,845 | 1,698 | (545) | (218) | (43) | (89) | -7.7% | -3.7% | -2.6% |
| Enterprise | 1,066 | 942 | (156) | (45) | (29) | (42) | -4.2% | -23.4% | -3.4% |

* Included non-cash M&A-related accounting charges, such as intangible asset amortization, imputed interest expense of promissory notes and others

+ Q4FY15 Performance by Geography

China

- OP margin down 1.1pts to 4.4% due to China smartphone business
- **PC:** Share up 0.9pts to 33.6%, stable margin
- **Mobile:** transformation plan in place with aggressive expansion in internet model including ShenQi to sharpen competitiveness;
- **Enterprise:** healthy shipments growth

AP

- Strong operating margin at 4.6%, up 1.9pts YTY driven by strong PC profitability
- **PC:** Market share at 15.7%, up 0.2pts YTY driven by ASEAN & India
- **Mobile:** Strong smartphone shipments growth (+40%) driven by Moto
- **Enterprise:** Leveraging Lenovo channel expertise and ecosystems to accelerate the business

EMEA

- Operating margin at 2.7%, down 0.2pts YTY; Revenue grew 15% YTY
- **PC:** Record share surpassing 20% level at 20.5%; up 4.8pts YTY, driven by North & South
- **Mobile:** Strong smartphone shipments growth (+2.4x) driven by strong growth by both Lenovo and Motorola
- **Enterprise:** Attacking into Europe Enterprise segment

AG (Americas)

- Revenue grew 85% YTY
- **PC:** Share up 0.6pts YTY to 11.9%; Strong shipments growth of LAS (+22% YTY)
- **Mobile:** Strong smartphone shipments growth combining Motorola
- **Enterprise:** Preparing to attack and capture more enterprise customers in future
- Continued actions to stabilize business in Brazil

| | Revenue US\$ Million | | | Segment Pretax Income US\$ Million | | | Segment Pretax Income Margin | | |
|-------|-------------------------|-------|---------|---------------------------------------|------------|------------|---------------------------------|------------|------------|
| | Q4 FY15 | Y/Y | Q/Q | Q4 FY15 | Q4 FY14 | Q3 FY15 | Q4 FY15 | Q4 FY14 | Q3 FY15 |
| China | 3,071 | (31) | (1,012) | 134 | 170 | 234 | 4.4% | 5.5% | 5.7% |
| AP | 1,692 | (44) | (27) | 77 | 47 | 92 | 4.6% | 2.7% | 5.4% |
| EMEA | 2,966 | 391 | (1,072) | 80 | 75 | 122 | 2.7% | 2.9% | 3.0% |
| AG | 3,605 | 1,662 | (647) | (9) | 13 | (22) | -0.2% | 0.7% | -0.5% |

+ Consolidated Income Statement

| <i>US\$ Million</i> | FY2014/15 | FY2013/14 | Q4 FY2014/15 | Q4 FY2013/14 |
|--|-----------|-----------|--------------|--------------|
| Revenue | 46,296 | 38,707 | 11,334 | 9,357 |
| Cost of sales | (39,614) | (33,643) | (9,555) | (8,113) |
| Gross profit | 6,682 | 5,064 | 1,779 | 1,244 |
| Other income, net | 1 | 23 | - | - |
| Selling and distribution expenses | (2,303) | (1,900) | (658) | (457) |
| Administrative expenses | (1,883) | (1,403) | (546) | (399) |
| Research and development expenses | (1,220) | (733) | (424) | (186) |
| Other operating (expense)/income – net | (169) | 1 | (24) | 29 |
| Operating profit | 1,108 | 1,052 | 127 | 231 |
| Finance income | 31 | 34 | 7 | 9 |
| Finance costs | (185) | (81) | (52) | (27) |
| Share of gains of associated companies | 17 | 9 | 22 | (1) |
| Profit before taxation | 971 | 1,014 | 104 | 212 |
| Taxation | (134) | (197) | (7) | (44) |
| Profit for the period | 837 | 817 | 97 | 168 |
| Profit/(losses) attributable to: | | | | |
| Equity holders of the company | 829 | 817 | 100 | 158 |
| Non-controlling interests | 8 | - | (3) | 10 |
| Dividend | 380 | 322 | - | - |
| Earnings per share attributable to equity holders of the Company (US cents) | | | | |
| - Basic | 7.77 | 7.88 | 0.91 | 1.53 |
| - Diluted | 7.69 | 7.78 | 0.90 | 1.51 |

+ Condensed Consolidated Cash Flow Statement

| <i>US\$ Million</i> | FY14/15 | FY13/14 | Q4 FY14/15 | Q4 FY13/14 |
|--|---------|---------|------------|------------|
| Net cash generated from/(used in) operating activities | 238 | 1,432 | (1,102) | 469 |
| Net cash used in investing activities | (3,282) | (584) | (237) | (253) |
| Net cash generated from/(used in) financing activities | 2,143 | (430) | 333 | (49) |
| (Decrease)/increase in cash and cash equivalents | (901) | 418 | (1,006) | 167 |
| Effect of foreign exchange rate changes | (102) | (14) | (20) | (34) |
| Cash and cash equivalents at the beginning of the period | 3,858 | 3,454 | 3,881 | 3,725 |
| Cash and cash equivalents at the end of the period | 2,855 | 3,858 | 2,855 | 3,858 |



THANK YOU

DAKUJEM DANK BEDANKT MERCI TAKK 謝謝
ありがとう СПАСИБО GRACIAS DZIĘKUJĘ DANKE
OBRIGADO БЛАГОДАРЯ GRAZIE GRACIAS

