

lenovo[®]

2011/12

Second Quarter Results

November 2, 2011

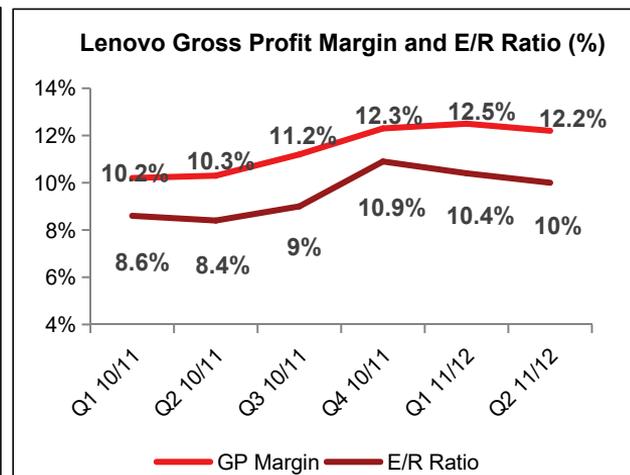
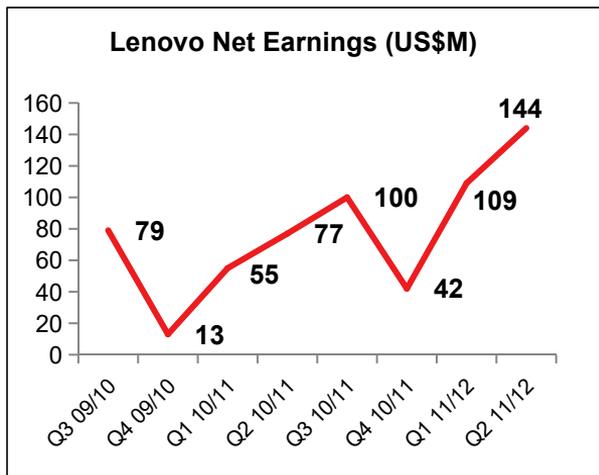
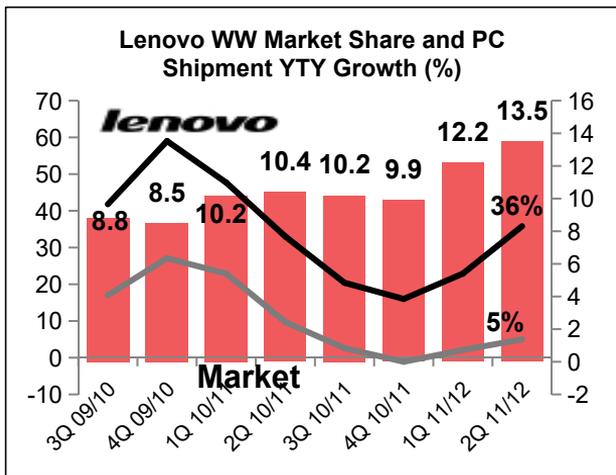


Yang Yuanqing

Chief Executive Officer

Strong Performance Drives Lenovo to #2 in world

- Record highs in market share, shipments and revenue
- Fastest growing for 8th straight quarter
- Improved profitability, net earnings up 88% YTY
- E/R ratio lower QTQ even with continued investments in innovation/branding

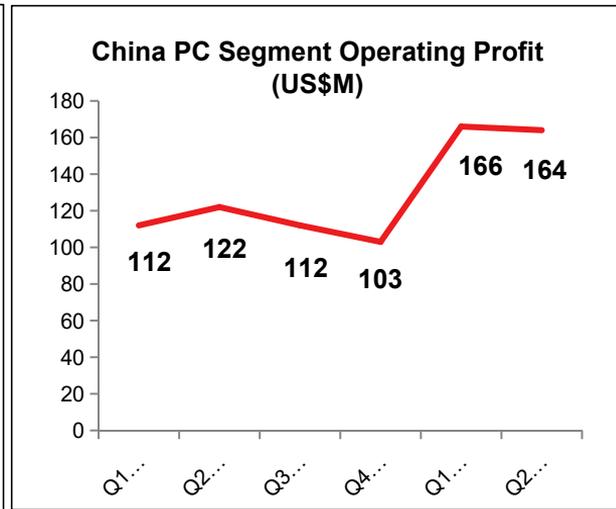
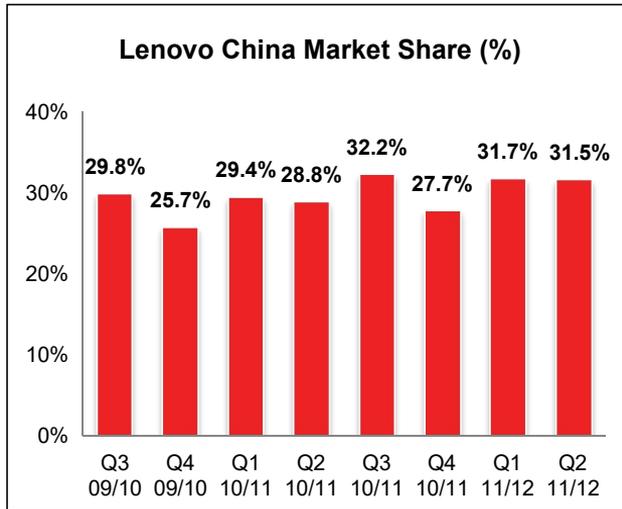
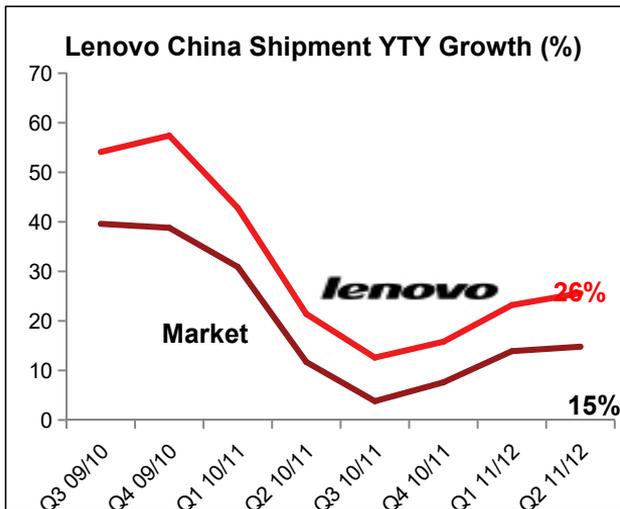


Source: IDC and Internal Data



Protect China

- Extended lead vs. competitors in world's largest PC market
- Improved segment operating profit by 35% YTY

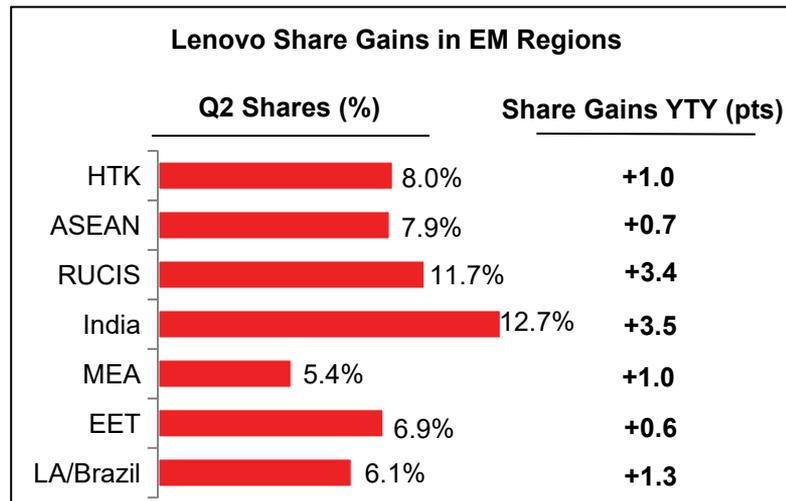
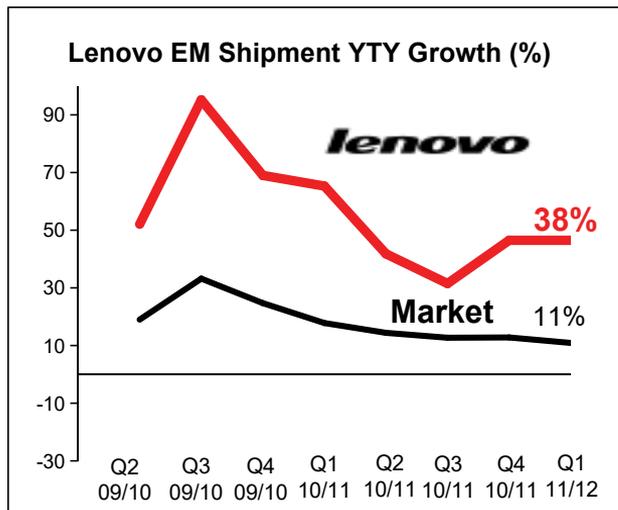


Source: IDC and Internal Data



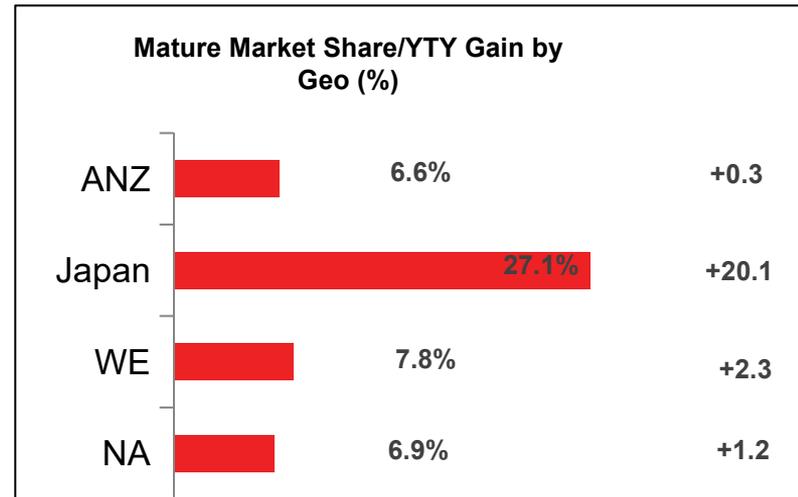
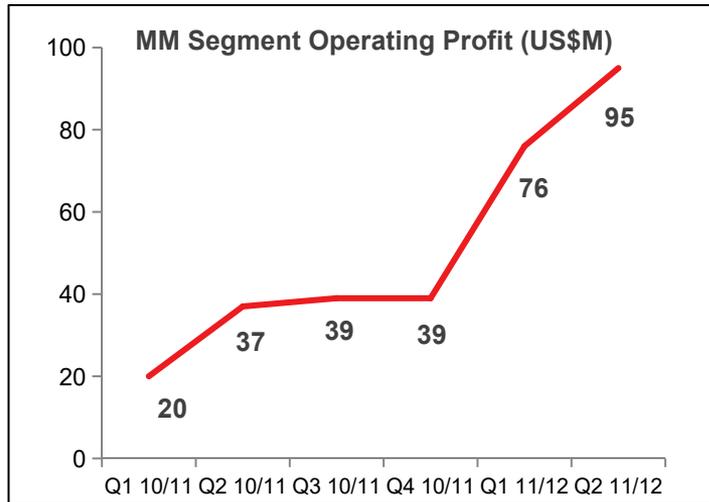
Attack Emerging Markets

- Grew almost 4x the market rate (37.9% v. 10.9%)
- Reached 8% share outside China, up 1.6 points YTY
- Strengthened #1 rank in Global Emerging Markets, including China
- Gained 3.5 points in India, reached double-digit share in Russia



Mature Markets: Protect and Attack

- More than doubled profitability
- Record high market share of 9.1%, up 3.4 points YTY
- For the first time, contributed more revenue than China
- Returned to Top 5 PC companies in United States



Source: IDC and Internal Data

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NEC/Medion: Successful integrations

- Bold moves in line with the strategy
- Unusual success: grew faster than the market, contributed decent profit
- M&A now a core competence

NEC

MEDION[®]

“The joint venture will push Lenovo into top position in two of the world’s three major PC markets”

–Nihon Keizai Shimbun

“The move reflects Lenovo's ambitions to further expand outside China...”

–Wall Street Journal

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Attack Mobile Internet

- Tablet volume doubled QtQ
- Launched Idea and Think tablets worldwide
 - Business-friendly ThinkPad tablet received good customer feedback
- Smartphones: LePhone A60 fueled faster-than-market growth



LePad



A60 Smartphone



Thinkpad Tablet

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Success Factors and Core Strengths

- Protect & Attack strategy
- Diverse talents
- Global ownership culture
- Successful business model
- Innovation

#1	WW Commercial Notebook market
#2	WW Desktop market
#3	WW Consumer market

Outlook

- Optimistic about the future of PC industry
- Fully committed to the PC industry for the long run
 - To be the leader of the traditional PC market
 - To win in extended PC categories, e.g. tablet & smart phone

The right strategy...

...diverse talents & global culture ...

...successful business model

...innovation

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Wong Wai Ming

Chief Financial Officer

Financial Summary

<i>US\$ Million</i>	Q2 FY2011/12	Q2 FY2010/11	Y/Y	Q/Q	Interim FY2011/12	Y/Y
Sales	7,786	5,760	2,026	1,866	13,706	2,799
Gross Profit	948	593	355	210	1,686	570
Operating Expenses	(782)	(486)	(296)	(166)	(1,397)	(470)
Operating Profit	166	107	59	44	289	100
Other Non-Operating Expenses	(1)	(5)	4	(1)	(1)	9
Pre-tax Income	165	102	63	43	288	109
Taxation	(20)	(25)	5	(5)	(35)	10
Profit for the period	145	77	68	38	253	122
Non-controlling interests	(1)	0	(1)	(1)	(1)	0
Profit attributable to Equity Holders	144	77	67	37	252	122
EPS (US cents)						
- Basic	1.41	0.81	0.60	0.30	2.53	1.15
- Diluted	1.38	0.76	0.62	0.30	2.46	1.16
Dividend per share (HK cents)	NA	NA	NA	NA	3.80	1.20

	Q2 2011/12	Q2 2010/11	Q1 2011/12
Gross margin	12.2%	10.3%	12.5%
E/R ratio	10.0%	8.4%	10.4%
Operating margin	2.1%	1.9%	2.1%
PTI margin	2.1%	1.8%	2.1%
Net margin	1.9%	1.3%	1.8%

Condensed Balance Sheet

US\$ Million

	As at Sep 30, 2011	As at Mar 31, 2011
Non-current assets	3,808	2,769
Property, plant and equipment	398	209
Intangible assets	2,751	2,134
Others	659	426
Current assets	11,771	7,937
Bank deposits and cash	4,223	2,997
Trade, notes and other receivables	6,124	4,066
Inventories	1,306	804
Others	118	70
Current liabilities	11,637	8,033
Short-term bank loans	59	72
Trade, notes and other payables	10,960	7,375
Current portion of non-current liabilities	481	450
Others	137	136
Net current assets/ (liabilities)	134	(96)
Non-current liabilities	1,602	838
Total equity	2,340	1,835

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Cash and Working Capital

US\$ Million

	<u>Q2 FY2011/12</u>	<u>Q2 FY2010/11</u>	<u>Q1 FY2011/12</u>
Bank deposits and cash	4,223	2,696	3,899
Total Bank Borrowings	259	378	261
Net Cash Reserves	3,964	2,318	3,638
Days Inventory	18	19	16
Days Receivable	33	28	29
Days Payable	71	73	72
Cash Conversion Cycle	-20 days	-26 days	-27 days

Performance By Geography

China

- Leading market share at 31.5% (+2.7pts YTY)
- Continued to outperform China market driven by strong demand from emerging cities

Emerging Markets (Excluding China)

- Continuous share gains; over 10% market share benchmark in selected countries (e.g. India and Russia)
- Investments in brand building to strongly attack the fast growing Emerging Markets

Mature Markets

- Record high market share at 9.1% (+3.4pts YTY) benefited from strong commercial PC demand
- Continued share gains and be profitable in all regions
- NEC JV and Medion in good progress, started contribution in Q2

Including MIDH and non-PC businesses	Sales US\$mn			Segment Operating Profit* US\$mn			Segment Operating* Profit Margin		
	Q2 FY12	Y/Y	Q/Q	Q2 FY12	Q2 FY11^	Q1 FY12	Q2 FY12	Q2 FY11^	Q1 FY12
China	3,175	20.7%	12.0%	137	126	159	4.3%	4.8%	5.6%
China - PC#	2,923	21.2%	11.6%	164	122	166	5.6%	5.1%	6.4%
Emerging Markets (Ex. China)	1,294	20.8%	24.7%	(23)	(11)	(22)	-1.8%	-1.1%	-2.1%
Mature Markets	3,317	61.1%	62.1%	95	37	76	2.9%	1.8%	3.7%

* Excluding restructuring charges & one-off items

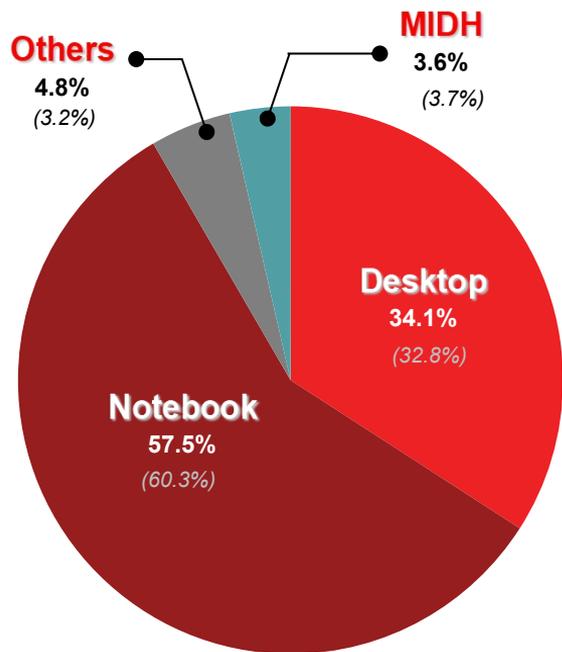
Financials on China PC extracted from management report are not presented as a separate reportable segment in external report and are shown for reference only

^ Reclassified after the adoption of new IT expense allocation method



Performance By Product

Revenue by Product



Desktop

- Shipments up 36.3% YTY; Sales up 37.8% YTY
- World's second largest desktop player
- Market share up 3.5pts YTY to 13.7%
- Good growth momentum of AIO and SMB targeted desktops

Notebook

- Shipments up 35.4% YTY; Sales up 29.6% YTY
- Market share up 2.8pts YTY to 13.3%
- World's largest commercial notebook player
- New generation of ultraportable laptops to target SMB customers

MIDH

- Sales up 30.0% YTY
- Strong feature phone shipment growth at 28.4% YTY with market share up 1.3pts YTY to 6.5%
- Strong smartphone shipment growth at 335.2% YTY driven by strong demand of A60 Smartphone
- Tablets achieved good initial start and received good feedback
- Became number 2 tablet player in China with 8.4% share

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Liu Chuanzhi

Chairman of the Board



Appendix

- Consolidated Income Statement
- Condensed Consolidated Cash Flow Statement
- Historical Performance By Geography (Reclassified)

Consolidated Income Statement

<i>US\$ Million</i>	Q2 2011/12	YTD FY2011/12	Q2 2010/11	YTD FY2010/11
Sales	7,786	13,706	5,760	10,907
Cost of sales	(6,838)	(12,020)	(5,167)	(9,791)
Gross profit	948	1,686	593	1,116
Other income, net	-	-	-	-
Selling and distribution expenses	(459)	(808)	(244)	(466)
Administrative expenses	(197)	(371)	(191)	(351)
Research and development expenses	(119)	(196)	(66)	(136)
Other operating (expense)/income - net	(7)	(22)	15	25
Operating profit	166	289	107	188
Finance income	10	19	6	11
Finance costs	(11)	(20)	(11)	(22)
Profit before taxation	165	288	102	177
Taxation	(20)	(35)	(25)	(45)
Profit for the period	145	253	77	132
Profit attributable to:				
Equity holders of the company	144	252	77	132
Non-controlling interests	1	1	-	-
Dividend	-	51	-	33
Earnings/(Loss) per share (US cents)				
- Basic	1.41	2.53	0.81	1.38
- Diluted	1.38	2.46	0.76	1.30

Condensed Consolidated Cash Flow Statement

US\$ Million	Q2 2011/12	Q2 2010/11
Net cash generated from operating activities	627	148
Net cash used in investing activities	(227)	(94)
Net cash used in financing activities	(66)	(182)
Increase/ (decrease) in cash and cash equivalents	334	(128)
Effect of foreign exchange rate changes	(6)	32
Cash and cash equivalents at the beginning of the period	3,842	2,617
Cash and cash equivalents at the end of the period	4,170	2,521

Historical Performance By Geography (Reclassified)

As reported in Financial Statements

(Excluding restructuring charges & one-off items)	FY1011 Q1			FY1011 Q2			FY1011 Q3			FY1011 Q4		
	Sales US\$m	Segment Operating Profit / (Loss) US\$m	Segment Operating Profit Margin	Sales US\$m	Segment Operating Profit / (Loss) US\$m	Segment Operating Profit Margin	Sales US\$m	Segment Operating Profit / (Loss) US\$m	Segment Operating Profit Margin	Sales US\$m	Segment Operating Profit / (Loss) US\$m	Segment Operating Profit Margin
China [^]	2,508	138	5.5%	2,630	150	5.7%	2,682	132	4.9%	2,195	88	4.0%
China - PC[#]	2,326	137	5.9%	2,413	147	6.1%	2,464	137	5.6%	2,009	100	5.0%
China - MIDH	182	1	0.5%	217	4	1.7%	218	(5)	-2.3%	187	(13)	-6.9%
Emerging Markets (Ex. China)	821	(25)	-3.0%	1,071	(17)	-1.6%	1,117	(13)	-1.2%	850	(10)	-1.2%
Mature Markets	1,818	0	0.0%	2,059	20	1.0%	2,009	22	1.1%	1,834	36	2.0%

After reclassification[^]

(Excluding restructuring charges & one-off items)	FY1011 Q1 [^]			FY1011 Q2 [^]			FY1011 Q3 [^]			FY1011 Q4 [^]		
	Sales US\$m	Segment Operating Profit / (Loss) US\$m	Segment Operating Profit Margin	Sales US\$m	Segment Operating Profit / (Loss) US\$m	Segment Operating Profit Margin	Sales US\$m	Segment Operating Profit / (Loss) US\$m	Segment Operating Profit Margin	Sales US\$m	Segment Operating Profit / (Loss) US\$m	Segment Operating Profit Margin
China [^]	2,508	113	4.5%	2,630	126	4.8%	2,682	107	4.0%	2,195	90	4.1%
China - PC[#]	2,326	112	4.8%	2,413	122	5.1%	2,464	112	4.6%	2,009	103	5.1%
Emerging Markets (Ex. China)	821	(23)	-2.8%	1,071	(11)	-1.1%	1,117	(10)	-0.9%	850	(18)	-2.1%
Mature Markets	1,818	20	1.1%	2,059	37	1.8%	2,009	39	2.0%	1,834	39	2.1%

* MIDH included

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[^] Reclassified after the adoption of new IT expense allocation method

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