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# 2013/14 Q1 Results



# Forward Looking Statement

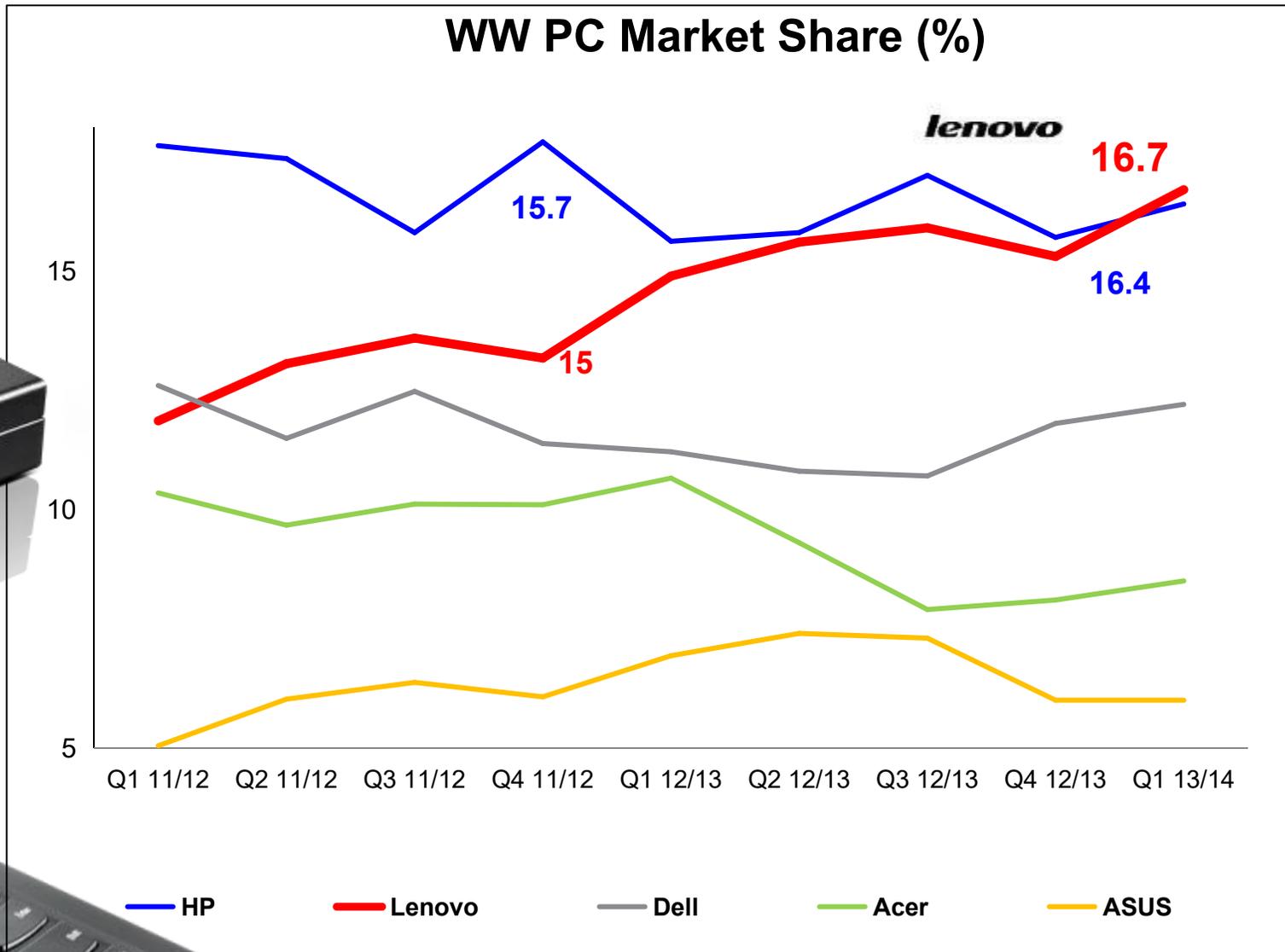
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Yuanqing Yang  
Chairman and CEO



# Lenovo Reaches #1 in Worldwide PCs



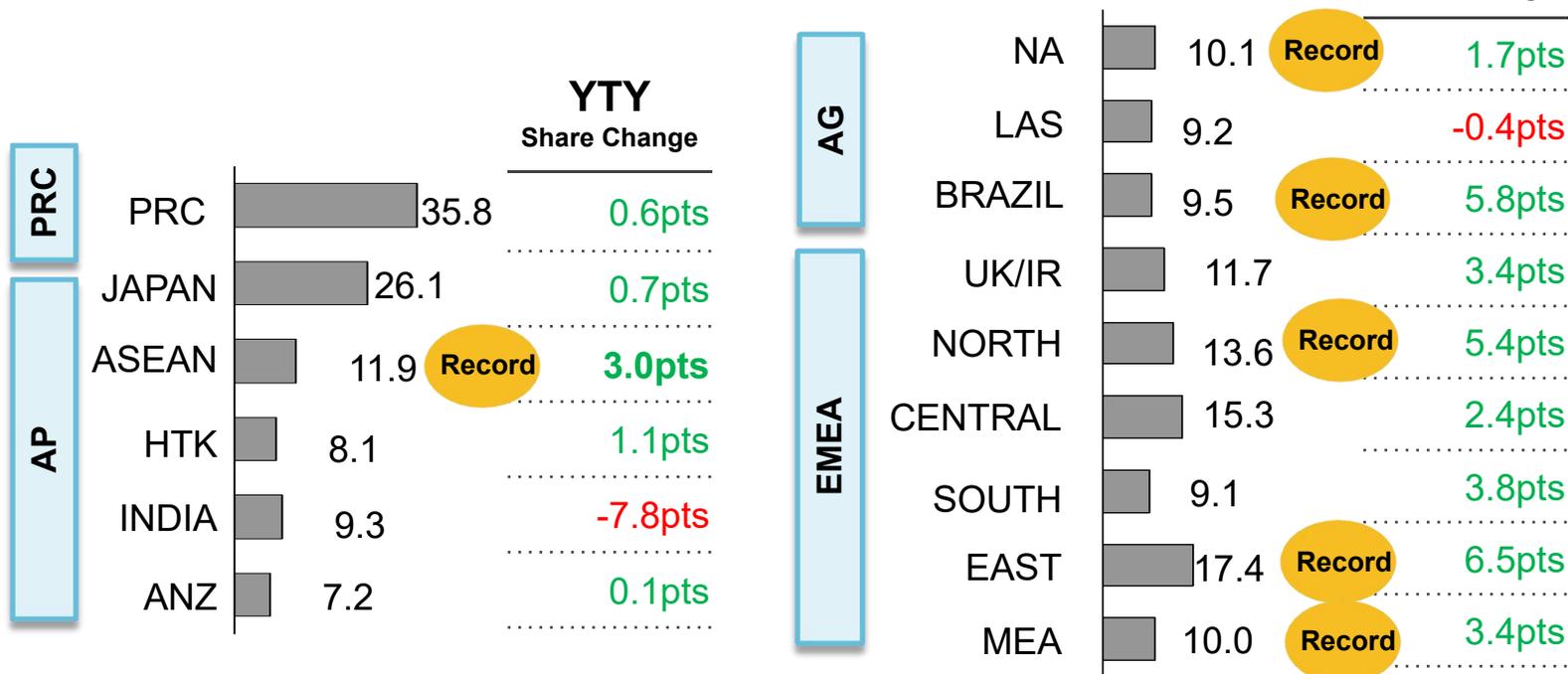
Source: IDC



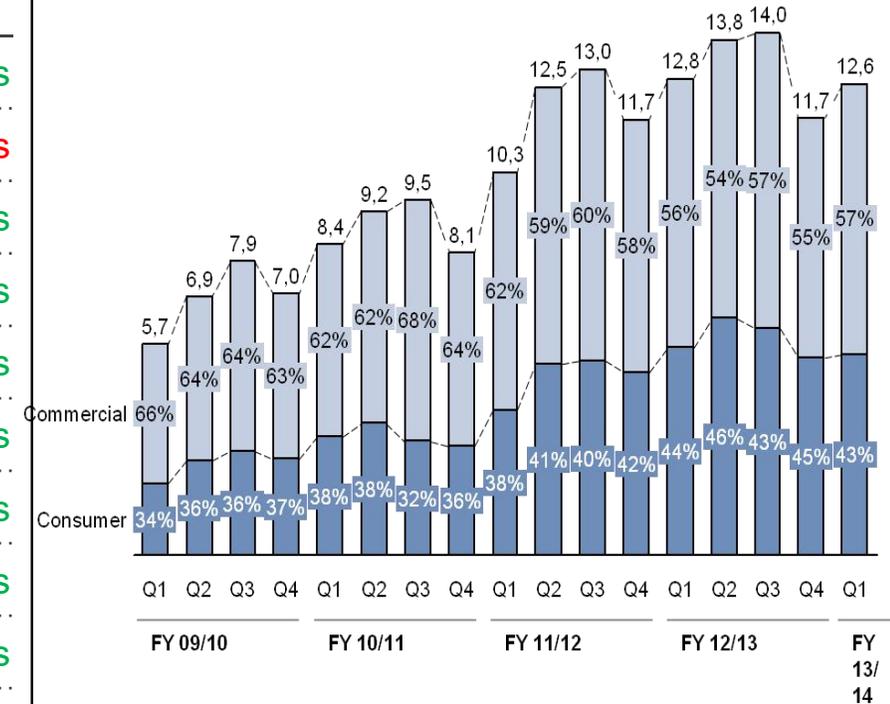
# Balanced Growth Enabled Strong PC Performance

- Strong execution of Protect and Attack strategy drove balanced growth
  - China – Grew share, improved margins up almost 1 point despite overall market decline
  - Europe, Americas outgrew market significantly, ensured company’s overall growth.
  - Emerging markets (Eastern Europe, MEA, Brazil, ASEAN) and consumer business (North America and Western Europe) now significant growth engines

Regions’ PC Market Share (%) and YTY change(pts)

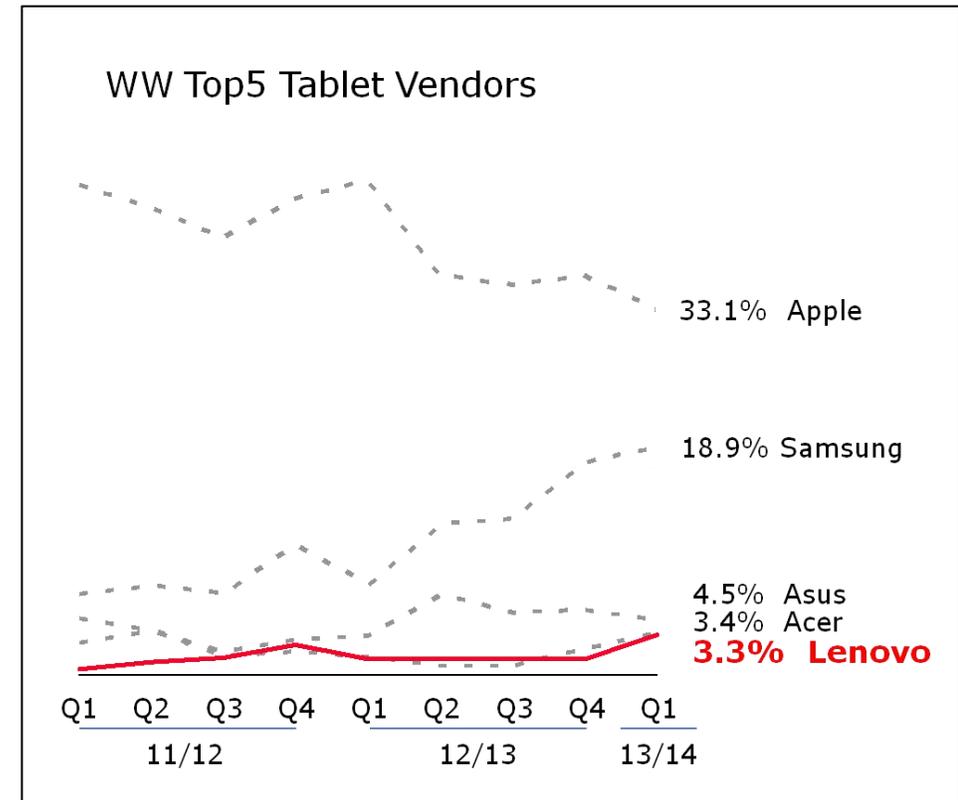
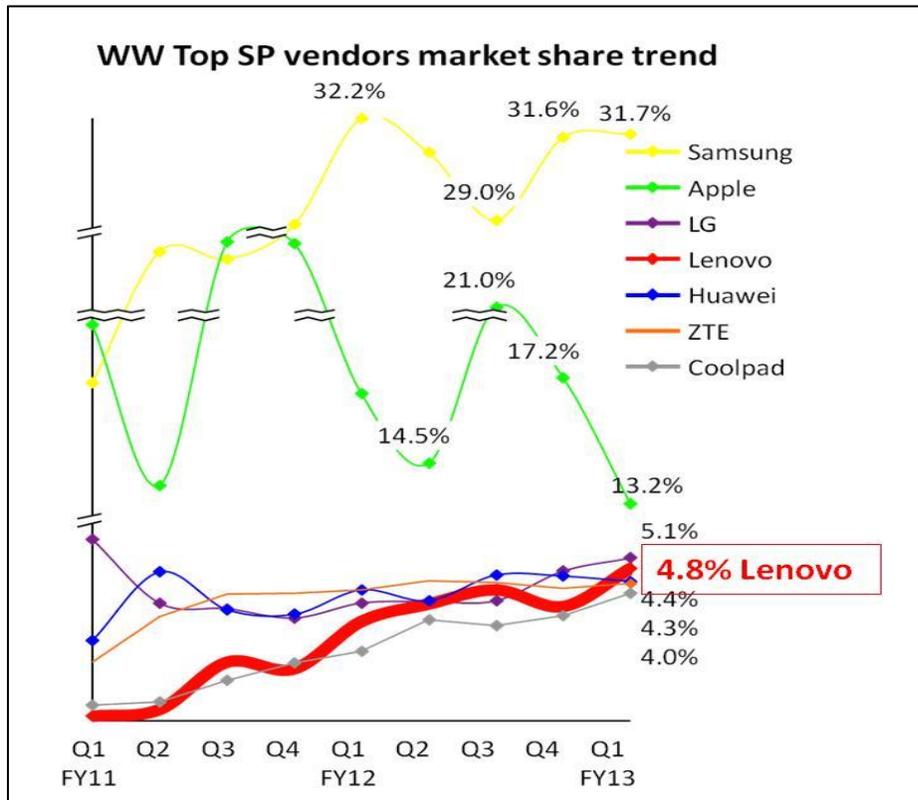


Lenovo Consumer/Commercial PC Volume (M Units)



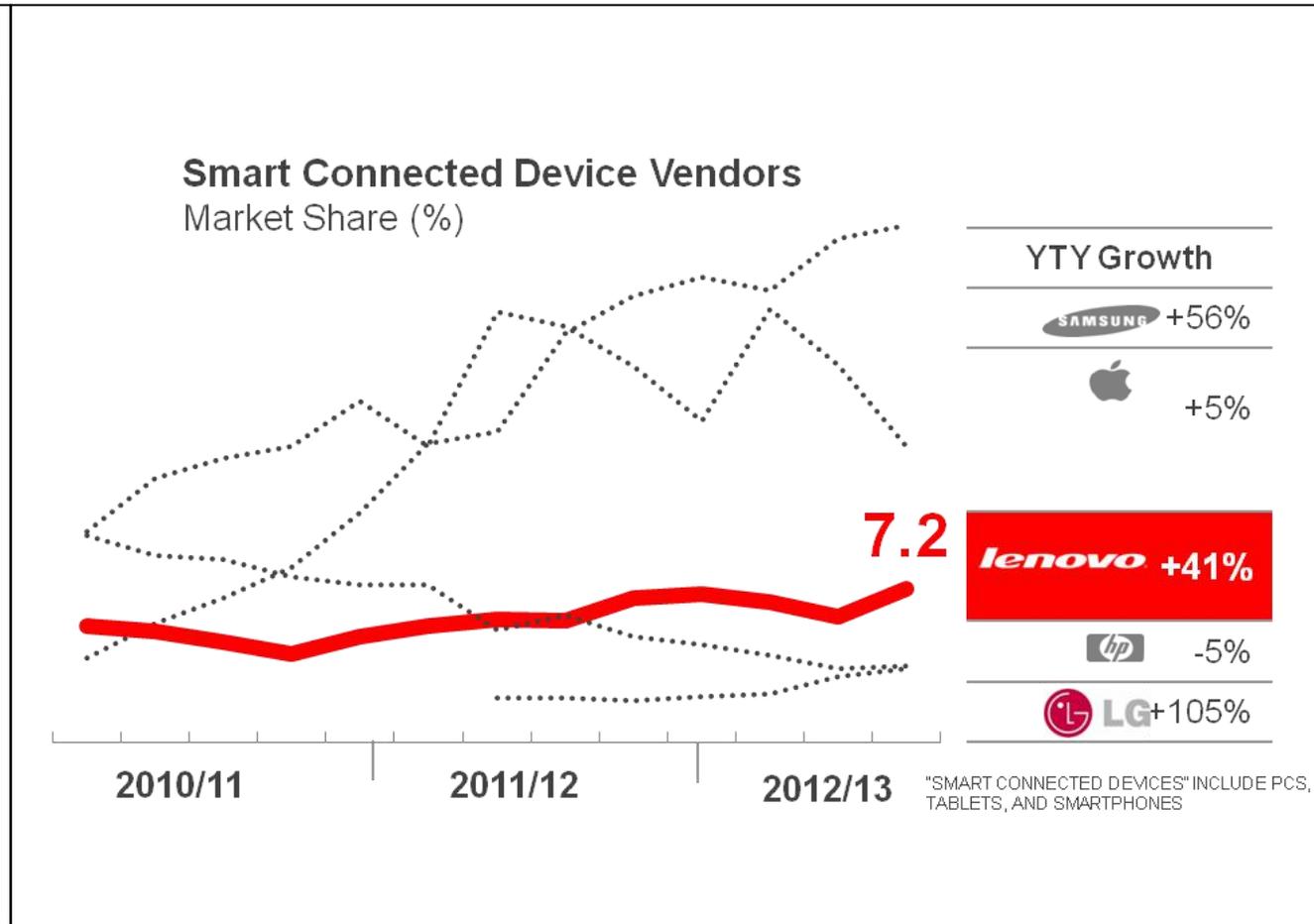
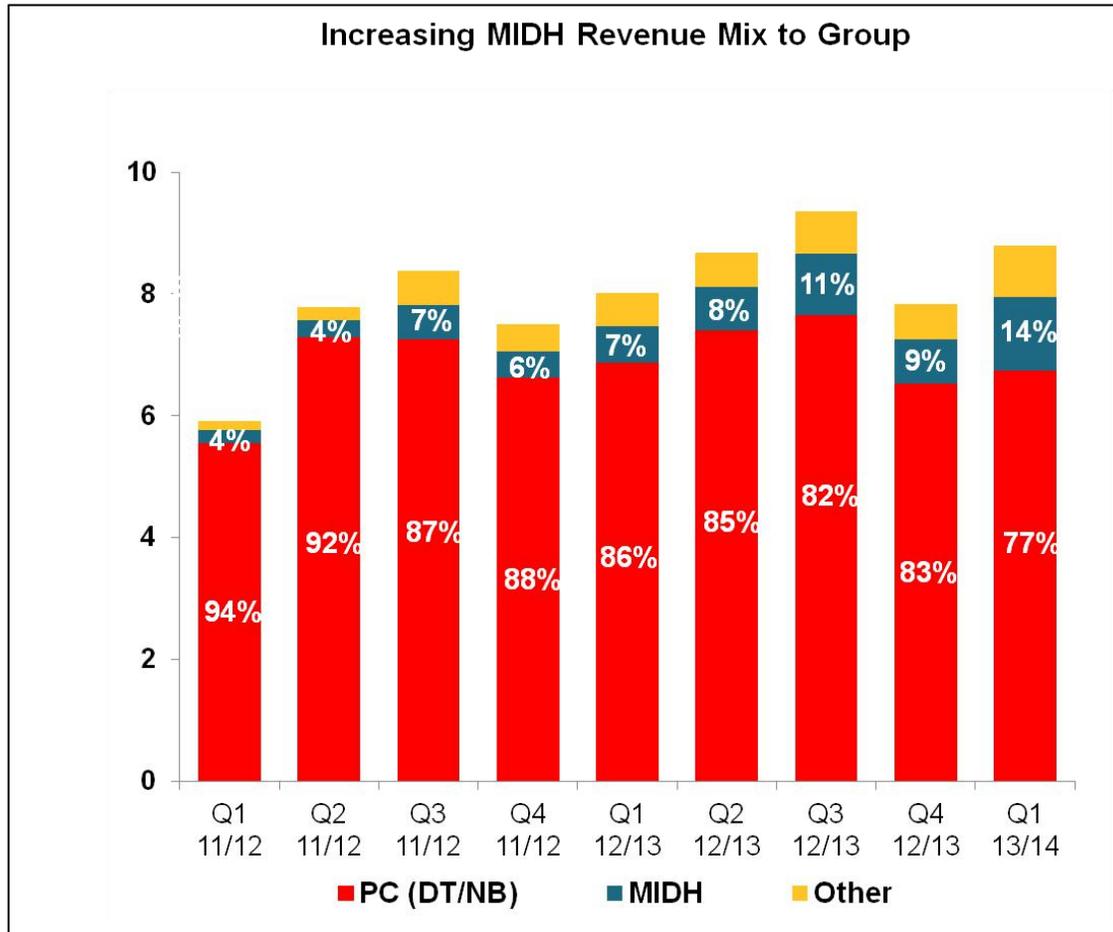
# Years of Effort in PC+ Starting to Pay Off

- WW Smartphone volume grew over 130% YTY, now #4 worldwide
  - China, strong #2, 11 million units; good progress in Indonesia, India, Russia and Vietnam
- Tablet sales grew in all four Geos, more than tripled YTY



# Years of Effort in PC+ Starting to Pay Off

- Increased Mobile device revenue mix to 14% of overall revenue
- Record share of 7.2% in Smart Connected Devices



# Innovation Key to Lenovo's PC+ Growth

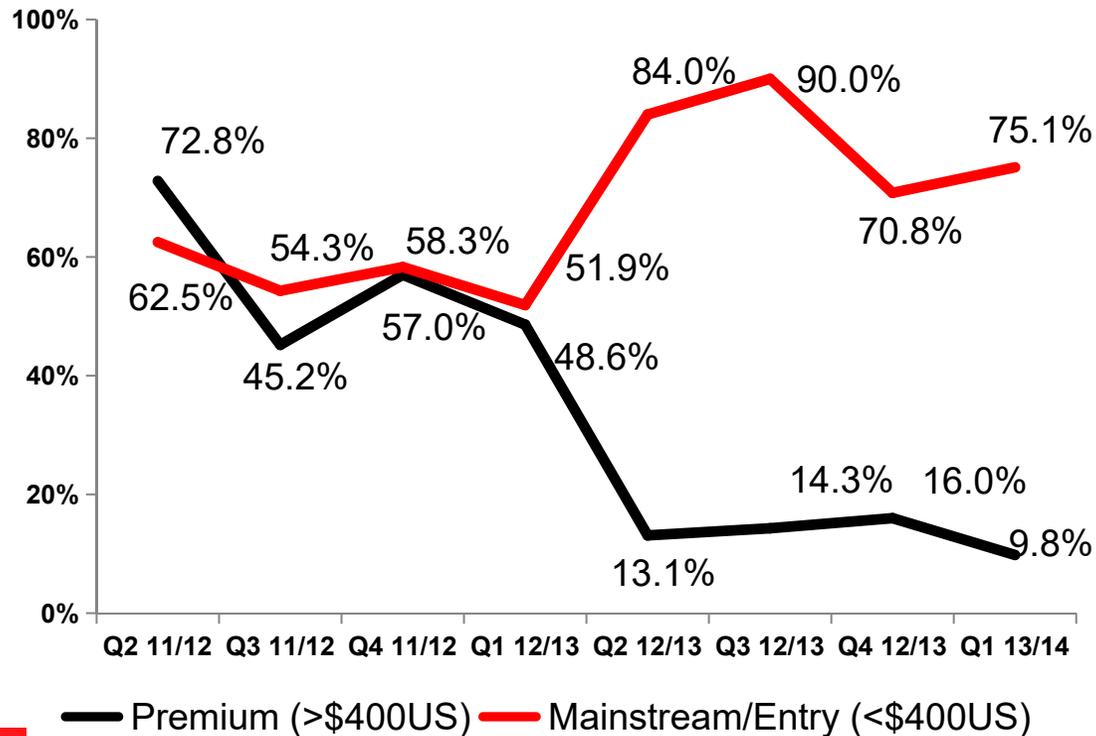
- Innovation: Center on user experience, blending hardware, software and applications
- Lenovo will launch series of cool products for holiday season
  - Next generation of multimode products: New Yoga, uniquely designed tablets
  - New wave of smartphones: Thinner, lighter with more and better features around security, collaboration and cloud



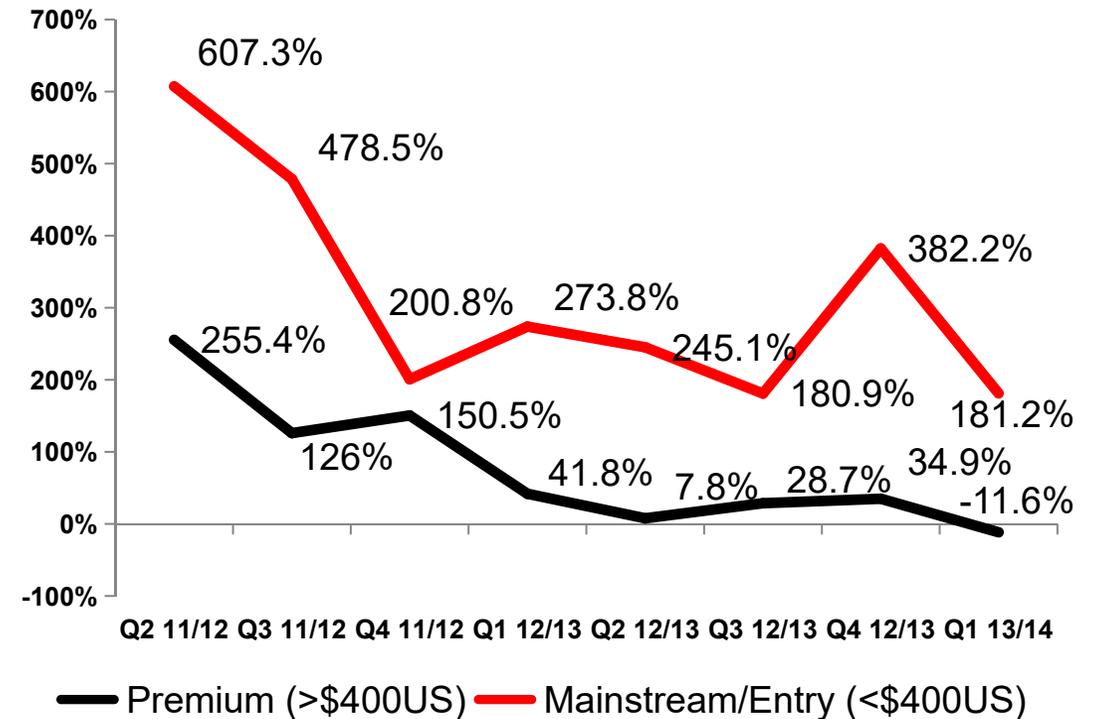
# Lenovo Confident of Winning in Transforming Industry

- Industry trends favor Lenovo's business model:
  - PC+ market moving from premium to mainstream price ranges
  - PC+ growth moving from mature to emerging markets
  - Mature market replacement cycle driving further growth

Smartphone YTY Growth by Price Segment (%)



Tablet YTY Growth by Price Segment (%)



Source: IDC



# Lenovo Best Positioned to WIN in PC+

- Rich product portfolio and speedy product development cycle
- Efficient and fast end-to-end business model with disciplined operation
- Reasonable margin targets
- Proven success in similar market transformation



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Wong Wai Ming  
Chief Financial Officer



# Financial Summary

<i>US\$ Million</i>	Q1 FY2013/14	Q1 FY2012/13	Y/Y%	Q/Q%
Revenue	8,787	8,010	10%	12%
Gross Profit	1,191	1,047	14%	13%
Operating Expenses	(989)	(865)	14%	12%
Operating Profit	202	182	11%	19%
Other Non-Operating Income	13	3	296%	NA
Pre-tax Income	215	185	16%	30%
Taxation	(45)	(41)	12%	10%
Profit for the period	170	144	18%	37%
Non-controlling interests	4	(3)	NA	52%
Profit attributable to Equity Holders	174	141	23%	37%
EPS (US cents)				
- Basic	1.67	1.37	0.30	0.45
- Diluted	1.65	1.33	0.32	0.45
	Q1 FY2013/14	Q1 FY2012/13	Q4 FY2012/13	
Gross margin	13.6%	13.1%	13.4%	
E/R ratio	11.3%	10.8%	11.3%	
Operating margin	2.3%	2.3%	2.2%	
PTI margin	2.5%	2.3%	2.1%	
Net margin attributable to Equity Holders	2.0%	1.8%	1.6%	

# Condensed Balance Sheet

US\$ Million

	As at Jun 30, 2013	As at Mar 31, 2013
<b>Non-current assets</b>	<b>4,650</b>	<b>4,492</b>
Property, plant and equipment	510	480
Intangible assets	3,336	3,326
Others	804	686
<b>Current assets</b>	<b>13,303</b>	<b>12,390</b>
Bank deposits and cash	3,563	3,573
Trade, notes and other receivables	7,049	6,694
Inventories	2,532	1,965
Others	159	158
<b>Current liabilities</b>	<b>12,972</b>	<b>12,091</b>
Short-term bank loans	112	176
Trade, notes and other payables	11,434	10,576
Others	1,426	1,339
<b>Net current assets</b>	<b>331</b>	<b>299</b>
<b>Non-current liabilities</b>	<b>2,174</b>	<b>2,111</b>
<b>Total equity</b>	<b>2,807</b>	<b>2,680</b>

# Cash and Working Capital

US\$ Million

	Q1 FY2013/14	Q1 FY2012/13	Q4 FY2012/13
Bank deposits and cash	3,563	3,766	3,573
Total Bank Borrowings	468	41	479
Net Cash Reserves	3,095	3,725	3,094
Days Inventory	27	19	26
Days Receivable	36	34	40
Days Payable	64	66	73
Cash Conversion Cycle	-1 days	-13 days	-7 days

# Performance By Geography

## China

- Total revenue of China up 6% YTY driven by 76% YTY revenue growth of MIDH business
- Protected PC leadership with share gain by 0.6pt YTY to 35.8%
- China overall margin up 0.6pt YTY to 5.2%; China PC margin also improved by 0.7pt YTY to 6.8%
- MIDH profitability continued to improve

## AP

- Focused on profitability
- Market share at 13.2%; down 0.5pt YTY as focusing more on balance between growth and profitability
- #1 in Japan with share gain; Record high share and 32pt premium to market in ASEAN
- Operating margin up 0.1pt YTY to 0.9%

## EMEA

- Strong #2; Record high market share at 13.2% ; up 4.4pt YTY
- PC volume up 18% YTY, outperformed market by 40pt
- Achieved #1 in 10 EMEA countries include Germany; 1<sup>st</sup> time #1 in Eastern Europe
- Operating margin up 0.4pt YTY to 1.5%

## AG (Americas)

- PC volume up 22% YTY, outperformed market by 26pt
- Record high share in AG at 9.7% ; up 2.1pt YTY
- 1<sup>st</sup> time double-digit market share in NA driven by strong growth in US Commercial
- Record high share in Brazil at 9.5%; up 5.8pt YTY
- Operating margin down 0.3pt YTY to 1.4% due to continued investments in Brazil and consumer business

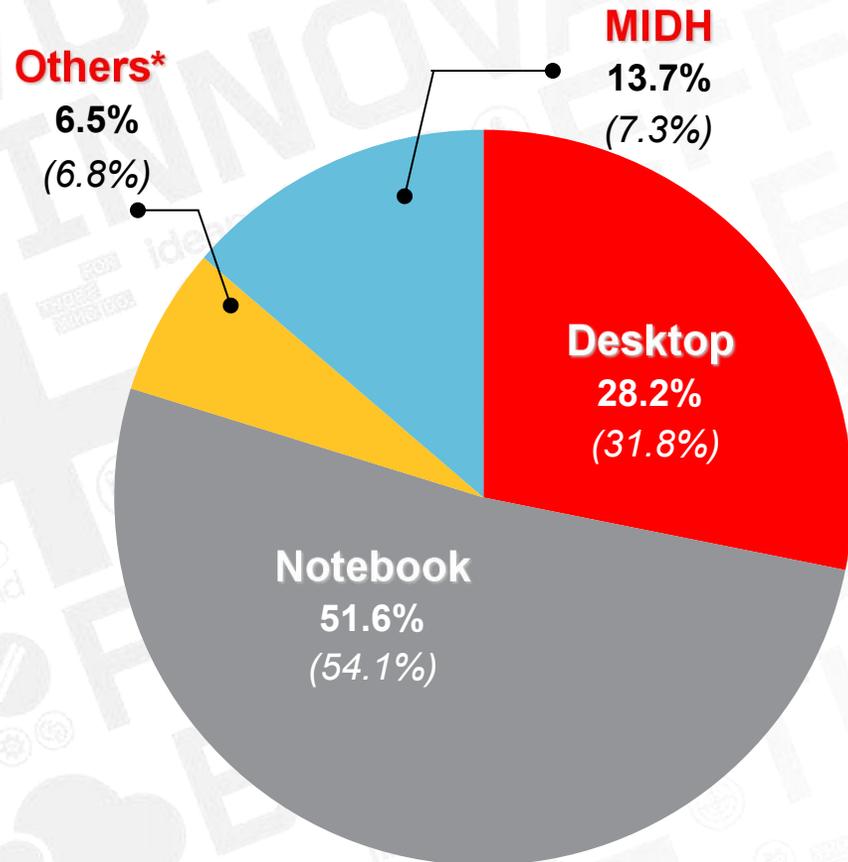
Including MIDH and non-PC revenue & results	Revenue US\$ Million			Segment Operating Profit/ (Loss) US\$ Million			Segment Operating Profit Margin		
	Q1 FY14	Y/Y	Q/Q	Q1 FY14	Q1 FY13 <sup>^</sup>	Q4 FY13 <sup>^</sup>	Q1 FY14	Q1 FY13 <sup>^</sup>	Q4 FY13 <sup>^</sup>
China	3,719	199	590	194	161	147	5.2%	4.6%	4.7%
<i>China – PC<sup>#</sup></i>	2,752	(219)	291	188	182	144	6.8%	6.1%	5.8%
AP	1,315	(127)	48	11	11	17	0.9%	0.8%	1.4%
EMEA	1,868	284	18	28	17	34	1.5%	1.1%	1.9%
AG	1,885	421	299	26	25	13	1.4%	1.7%	0.8%

# 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

- 10-pt market premium
- Market share at 17.3%, up 1.9pts YTY

## Desktop

- 10-pt market premium
- Market share at 16.0%, up 1.5pts YTY

## MIDH

- Revenue up 105% YTY
- Strong WW smartphone shipments up 1.3x YTY;
- Strong China smartphone shipments growth; consecutive 3rd quarter profitable
- WW tablet volume up 3.1x 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 - FY 13 Q1 – Q4
- Reclassified Consolidated Income Statement - FY 13 Q1 – Q4
- Segment Reclassification - FY 13 Q1 – Q4



# Consolidated Income Statement

<i>US\$ Million</i>	Q1 FY2013/14	Q1 FY2012/13
Revenue	8,787	8,010
Cost of sales	(7,596)	(6,963)
Gross profit	1,191	1,047
Selling and distribution expenses	(438)	(446)
Administrative expenses	(346)	(282)
Research and development expenses	(170)	(135)
Other operating expense – net	(35)	(2)
Operating profit	202	182
Finance income	12	11
Finance costs	(15)	(8)
Share of gains/(losses) of associated companies	16	0
Profit before taxation	215	185
Taxation	(45)	(41)
Profit for the period	170	144
Profit attributable to:		
- Equity holders of the company	174	141
- Non-controlling interests	(4)	3
Earnings/(Loss) per share (US cents)		
- Basic	1.67	1.37
- Diluted	1.65	1.33

# Condensed Consolidated Cash Flow Statement

<i>US\$ Million</i>	Q1 2013/14	Q1 2012/13
Net cash generated from/(used in)operating activities	140	(334)
Net cash (used in)/generated from investing activities	(139)	153
Net cash (used in)/generated from financing activities	(49)	11
Decrease in cash and cash equivalents	(48)	(170)
Effect of foreign exchange rate changes	7	(25)
Cash and cash equivalents at the beginning of the period	3,454	3,758
Cash and cash equivalents at the end of the period	3,413	3,563

# Reclassified Consolidated Income Statement - FY 13 Q1 – Q4

<i>US\$ Million</i>	Q1 FY2012/13	Q2 FY2012/13	Q3 FY2012/13	Q4 FY2012/13
<b>Revenue</b>	8,010	8,672	9,359	7,832
<b>Cost of sales</b>	(6,963)	(7,533)	(8,169)	(6,780)
<b>Gross profit</b>	1,047	1,139	1,190	1,052
<b>Other income, net</b>	-	-	20	-
<b>Selling and distribution expenses</b>	(446)	(489)	(536)	(417)
<b>Administrative expenses</b>	(282)	(287)	(316)	(317)
<b>Research and development expenses</b>	(135)	(153)	(162)	(173)
<b>Other operating (expenses)/income – net</b>	(2)	(4)	47	24
<b>Operating profit</b>	182	206	243	169
<b>Finance income</b>	11	10	11	12
<b>Finance costs</b>	(8)	(11)	(8)	(15)
<b>Share of gains/(losses) of associated companies</b>	0	(1)	0	0
<b>Profit before taxation</b>	185	204	246	166
<b>Taxation</b>	(41)	(41)	(46)	(42)
<b>Profit for the period</b>	144	163	200	124
<b>Profit attributable to:</b>				
<b>Equity holders of the company</b>	141	162	205	127
<b>Non-controlling interests</b>	3	1	(5)	(3)
<b>Earnings/(Loss) per share (US cents)</b>				
<b>- Basic</b>	1.37	1.58	1.99	1.22
<b>- Diluted</b>	1.33	1.55	1.96	1.20

# Segment Reclassification - FY 13 Q1 – Q4

## After Reclassification<sup>^</sup>:

Including MIDH and non-PC revenue & results	Revenue US\$ Million				Segment Operating Profit/ (Loss) US\$ Million				Segment Operating Profit Margin			
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
China	3,520	3,822	4,068	3,129	161	153	187	147	4.6%	4.0%	4.6%	4.7%
<i>China – PC<sup>#</sup></i>	2,971	3,146	3,173	2,461	182	190	183	144	6.1%	6.0%	5.8%	5.8%
AP	1,442	1,490	1,318	1,268	11	19	15	17	0.8%	1.2%	1.1%	1.4%
EMEA	1,584	1,793	2,308	1,849	17	29	36	34	1.1%	1.6%	1.6%	1.9%
AG	1,464	1,567	1,665	1,586	25	28	12	13	1.7%	1.9%	0.7%	0.8%

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

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