



# 2014/15 Q1 Results



# Forward Looking Statement

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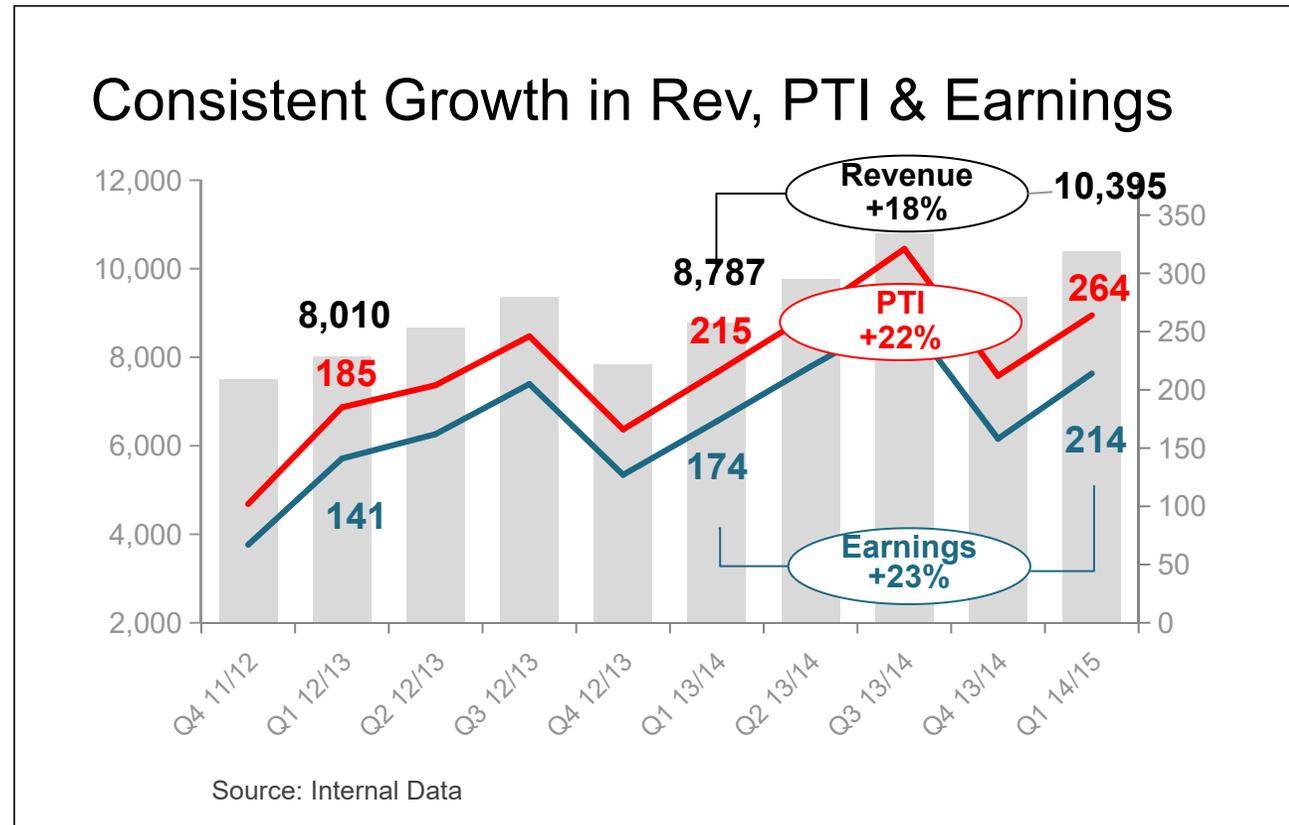


# Yuanqing Yang Chairman and CEO



# Strong First Quarter

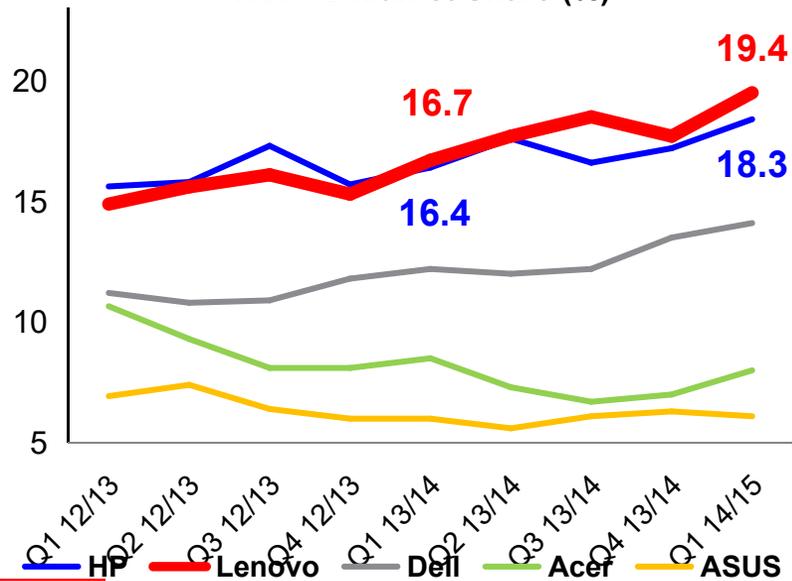
- Revenue grew 18% YTY
- Earnings up 23% YTY to \$214 million USD
- Delivered on financial commitments, especially improving profitability



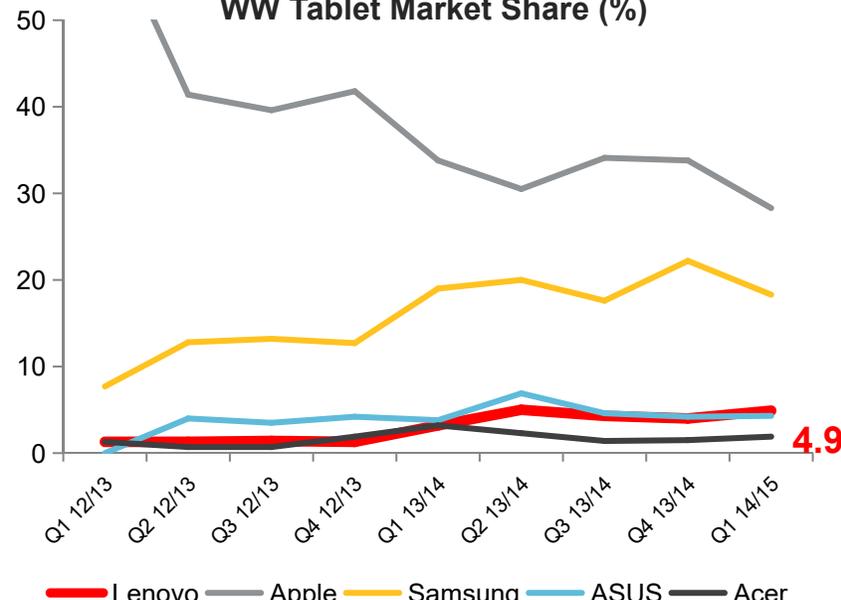
# Strong Growth Across All Products Lines

- PCs: Gained almost 3 points to reach all-time high share of 19.4%
  - Strengthened position as worldwide leader, gained share in every Geo
- Tablets: Volume up 67% YTY to become #3 in the world, particularly strong in Eastern Europe
  - In combined PC + Tablet, closed gap with Apple to 0.7 points
- Smartphones: Became #1 in China for the first time! Saw stronger growth outside China
  - Hypergrowth outside China at 350%, especially SE Asia (nearly 300%), E Europe (500%) and LA (50%)
  - Nearly 20% of smartphone sales outside China, vs. 5% a year ago; Overall #4 in smartphones worldwide

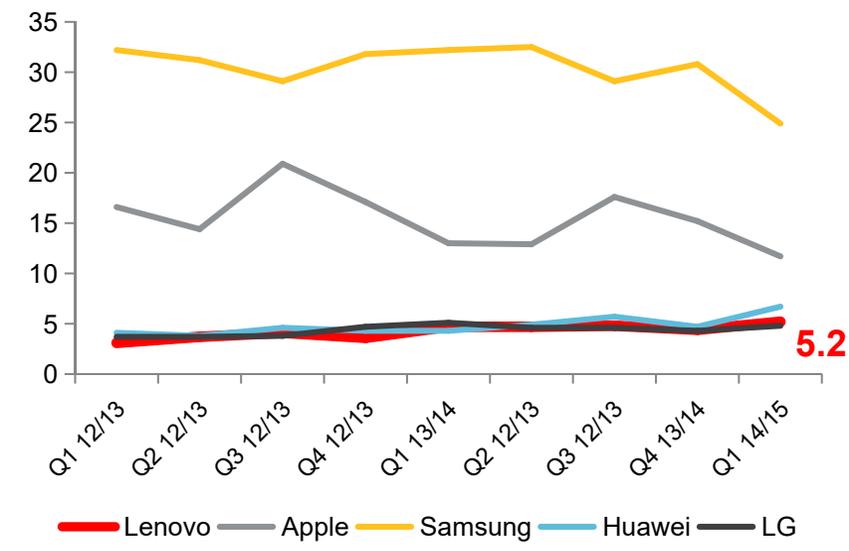
WW PC Market Share (%)



WW Tablet Market Share (%)



WW Smartphone Market Share (%)

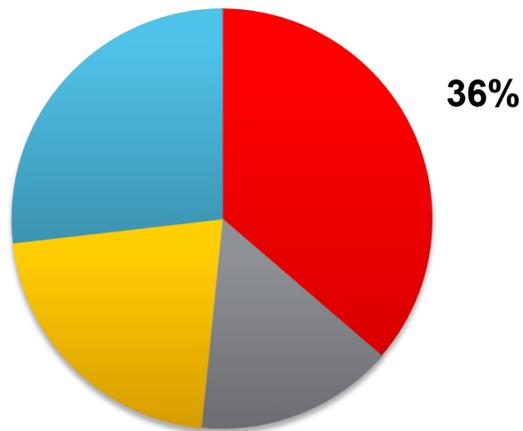


# Strong Growth Across All GEOs

## Business results have never been so balanced

- China is now just over one-third of our revenue vs. almost half 3 years ago
- EMEA, Americas, Asia Pacific have achieved rapid growth, strong momentum
  - EMEA: Grew volume 51% YTY; Consumer PC now #1 although it started just 3 years ago
  - Americas: U.S. set record market share
  - Asia Pacific: Significant profit improvement fueled by Japan.

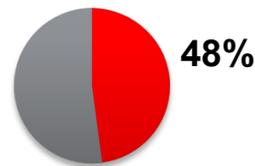
Revenue Q1 FY14/15



36%

China AP AG EMEA

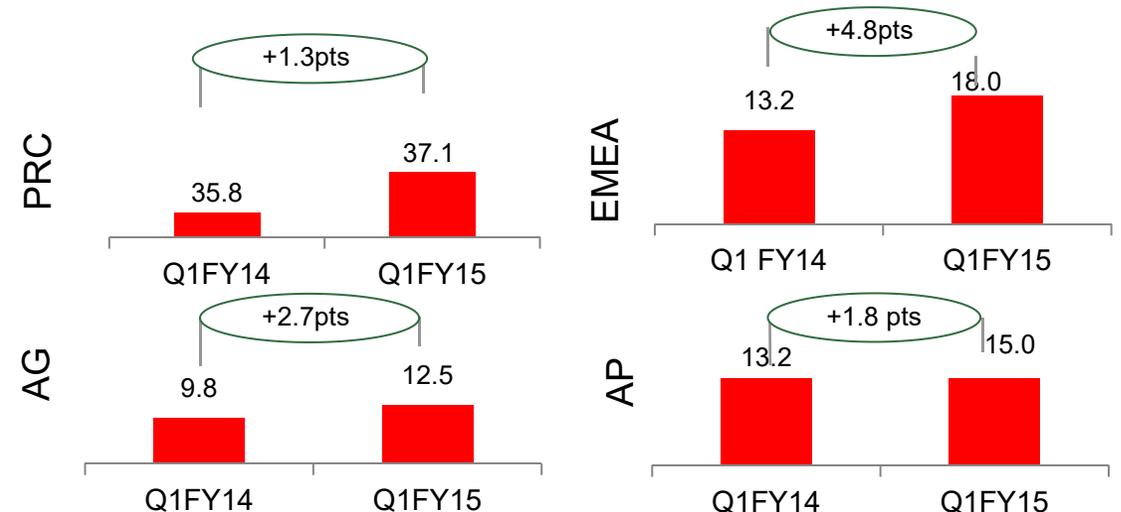
Revenue Q1 FY11/12



48%

China ROW

Lenovo PC Share in 4 GEOs(%)



# Keys to Success

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 in 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**
  - Maximize profitable smartphone revenue through premium and new business models
  - Enable Smooth integration with PC ecosystem to drive for quick turnaround
  - Expand aggressively in emerging markets

### Enterprise Business Group

- 1. Ensure business continuity / growth for the IBM x86 acquisition
- 2. Launch NextGen ThinkServer portfolio to win in the industry
- 3. Establish cost leadership to address China 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

# 61 AWARDS...

**AURA SOFTWARE:** CEA HONOREE 2014 CES INNOVATIONS DESIGN AND ENGINEERING  
**INTHEROOMBOX:** THE BEST OF CES 2014 STREAMING MEDIA - **ENTERPRISE WIRELESS**  
**COMPUTER PERIPHERALS - HORIZON 2:** POPULAR SCIENCE, THE 12 BEST PRODUCTS  
**HORIZON 2:** LAPTOP MAG PEOPLE CHOICE FINALIST, BEST OF CES PEOPLE CHOICE  
**COMPUTER HARDWARE COMPONENTS - \$5000:** CEA HONOREE 2014 CES INNOVATIONS DESIGN AND ENGINEERING  
**COMPUTER SHOPPER:** BEST OF CES 2014 TOP PRODUCTS - **X1 CARBON:** CEA HONOREE 2014 CES INNOVATIONS DESIGN AND ENGINEERING  
**MIX 2 10 & 11:** LAPTOP MAG BEST OF CES 2014 TOP PRODUCTS - **X1 CARBON:** CEA HONOREE 2014 CES INNOVATIONS DESIGN AND ENGINEERING  
**OF CES - N300:** CEA HONOREE 2014 CES INNOVATIONS DESIGN AND ENGINEERING  
**CEA 2014 - THINKVISION 20:** CEA HONOREE 2014 CES INNOVATIONS DESIGN AND ENGINEERING  
**THINKPAD 8:** DIGITAL TRENDS, BEST OF CES TABLETS FINALIST  
**MOBILE FINALIST - THINKPAD 8:** GOTTABLET, BEST OF CES 2014 TOP PRODUCTS - **X1 CARBON:** CEA HONOREE 2014 CES INNOVATIONS DESIGN AND ENGINEERING  
**2014 BEST WINDOWS TABLET - THINKPAD 8:** PC PRO, BEST OF CES 2014 BEST TABLET - THINKPAD 8: SLASHGEAR, BEST TABLET HONORABLE MENTION - THINKPAD 8: SLASHGEAR  
**AWARDS, THE BEST OF CES 2014 BEST TABLET - THINKPAD 8:** PC PRO, BEST OF CES 2014 BEST TABLET - THINKPAD 8: SLASHGEAR, BEST TABLET HONORABLE MENTION - THINKPAD 8: SLASHGEAR  
**GADGETS OF CES 2014 - THINKPAD YOGA:** LAST GADGET STANDING SEMI-FINALIST, COOL GADGETS - FINAL 25 - **THINKVISION 20:** ENVISION ENGINEERING DESIGN AND INNOVATION  
**INNOVATION & DESIGN - THINKVISION 20:** TECHLIDIOUS, BEST OF CES - **THINKVISION 20:** ENVISION ENGINEERING DESIGN AND INNOVATION  
**OF CES DISPLAYS AND TV'S WINNER - VIBE Z:** DIGITAL TRENDS, BEST OF CES SMARTPHONES FINALIST - **YOGA:** LAPTOP MAG, BEST OF CES SMARTPHONES FINALIST - **VIBE Z:** ENVISION ENGINEERING DESIGN AND ENGINEERING  
**ULTRABOOK SHOPPING SMARTPHONES FROM CES 2014 - X1 CARBON:** CEA HONOREE 2014 CES INNOVATIONS DESIGN AND ENGINEERING  
**CARBON:** COMPUTER SHOPPER, BEST OF CES ULTRABOOK - **X1 CARBON:** CEA HONOREE 2014 CES INNOVATIONS DESIGN AND ENGINEERING  
**X1 CARBON:** ENVISION ENGINEERING DESIGN & INNOVATION INNOVATION & DESIGN - **X1 CARBON:** ENVISION ENGINEERING DESIGN & INNOVATION  
**CEA 2014 BEST ULTRABOOKS FINALIST - X1 CARBON:** NOTEBOOKS.COM, BEST OF CES ULTRABOOK 40 - **X1 CARBON:** ENVISION ENGINEERING DESIGN & INNOVATION  
**LINT, BEST OF CES ULTRABOOK - X1 CARBON:** TECHRADAR, CES 2014 THE CREAM OF THE CREAM - **X1 CARBON:** ENVISION ENGINEERING DESIGN & INNOVATION  
**52 - X1 CARBON:** UBERGIZMWOOD, BEST OF CES 2014 BEST LAPTOP - **X1 CARBON:** CRN, THE BEST LAPTOPS AT CES 2014 - **X1 CARBON:** ENVISION ENGINEERING DESIGN & INNOVATION  
**COMPUTERS - X1 CARBON:** LOWMAYNET, BEST OF CES 2014 TOP PRODUCTS - **X1 CARBON:** ENVISION ENGINEERING DESIGN & INNOVATION  
**X1 CARBON:** DIGITAL TRENDS, BEST OF CES TABLETS FINALIST - **X1 CARBON:** PC PRO, BEST OF CES 2014 BEST TABLET - **X1 CARBON:** ENVISION ENGINEERING DESIGN & INNOVATION  
**YOGA:** THE BEST OF CES 2014 TOP PRODUCTS - **X1 CARBON:** ENVISION ENGINEERING DESIGN & INNOVATION

# Innovative Products



# Diverse Global Team

# Motorola Mobility Acquisition Update

- Winning in the market
- Product portfolio strong, results improving significantly
  - Sellout product launches in India, Brazil
  - Rave reviews for premium products
- Once deal closed, able to bring more innovative products worldwide
- Remain confident we can turn around in 4-6 quarters after deal closes



# IBM x86 Server Acquisition Update

- Business stabilized in last quarter
- Achieved growth in China
- Once deal closed, believe we can build a \$5 billion enterprise business, with higher margins than PCs, in one year



# Focus on Next Round of Growth

## PCs:

- Market stabilizing, expect our strong growth to continue
- Strengthen our position in every Geo
- Leverage our momentum, industry consolidation to drive profitable growth

## Tablets:

- Market squeezed between convertible PC, Phablet
- May split into niche PC focusing on media consumption (8-inch/larger, some with optional attached keyboard) or big-screen smartphones
- We are strong in both parts, will launch new generation of products to attack both categories

## Smartphone:

- Leverage shift from Premium to mainstream/entry
- Solidify China position
- Be more aggressive in emerging markets
- Will be a stronger global player with the close of Motorola deal

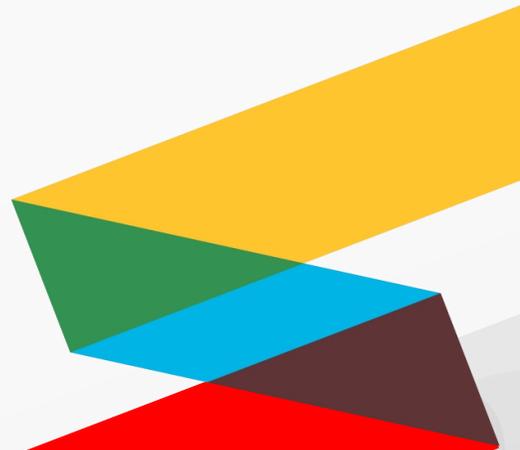
# Outlook

- First quarter gives us momentum
- Well positioned in all product lines, Geos to grow share and increase profitability
- When acquisitions close, will be fully ready to compete across:
  - Smart connected devices
  - Infrastructure devices
  - Ecosystem space





Wong Wai Ming  
Chief Financial Officer



# Financial Summary

<i>US\$ Million</i>	Q1 FY2014/15	Q1 FY2013/14	Y/Y%	Q/Q%
Revenue	10,395	8,787	18%	11%
Gross Profit	1,349	1,191	13%	8%
Operating Expenses	(1,066)	(989)	8%	5%
Operating Profit	283	202	40%	22%
Other Non-Operating (Expense)/Income	(19)	13	NA	-3%
Pre-tax Income	264	215	22%	24%
Taxation	(53)	(45)	17%	20%
Profit for the period	211	170	24%	25%
Non-controlling interests	3	4	-27%	NA
Profit attributable to Equity Holders of the Company	214	174	23%	35%
EPS (US cents)				
- Basic	2.06	1.67	0.39	0.53
- Diluted	2.03	1.65	0.38	0.52

	Q1 FY2014/15	Q1 FY2013/14	Q4 FY2013/14
Gross margin	13.0%	13.6%	13.3%
E/R ratio	10.3%	11.3%	10.8%
Operating margin	2.7%	2.3%	2.5%
PTI margin	2.5%	2.5%	2.3%
Net margin attributable to Equity Holders of the Company	2.1%	2.0%	1.7%

# 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 and notes payables, other payables and provisions

Others

## Net current assets / (liabilities)

## Non-current liabilities

## Total equity

As at  
Jun 30, 2014

As at  
Mar 31, 2014

5,226

4,957

701

667

3,531

3,340

994

950

15,508

13,400

5,532

3,953

7,132

6,620

2,759

2,701

85

126

14,095

13,462

457

445

13,050

12,370

588

647

1,413

(62)

3,384

1,870

3,255

3,025

# Cash and Working Capital

US\$ Million

Q1 FY2014/15

Q1 FY2013/14

Q4 FY2013/14

Bank deposits and cash

5,532

3,563

3,953

Total Bank Borrowings

1,954

468

455

Net Cash Reserves

3,578

3,095

3,498

Net cash generated from operating activities

378

140

469

Days Inventory

28

27

32

Days Receivable

32

36

37

Days Payable

66

64

73

Cash Conversion Cycle

-6 days

-1 days

-4 days

# Performance By Geography

## China

- Protected profit pool and improved China overall operating margin by 0.3pts YTY to 5.5%
- Protected PC leadership at 37.1% share with OP margin improvement (7.0%; +0.2pts)
- Surpassed Samsung to become #1 in SP market
- Improved mobile devices profitability
- Continue to invest in 4G and broaden routes to market to enhance smartphone competitiveness

## AP

- Record high operating margin at 4.1%, up 3.2pts YTY; Revenue up 20% YTY
- PC market share at 15.0%, up 1.8pts YTY
- #1 in Japan; Strong performance in Japan drove profitability improvement
- Strong smartphone volume at 1.5M, +3.7x YTY, mainly in ASEAN

## EMEA

- Record high operating margin at 3.4%, up 1.9pts YTY; Revenue grew 49% YTY
- Record PC share at 18.0%; up 4.8 pts YTY
- PC volume up 51% YTY, outperformed market by 40.6 pts
- 1<sup>st</sup> time #1 in EMEA NB PC; Remained #1 in EMEA consumer PC; #1 in 15 EMEA countries including key markets, e.g. Germany, Eastern Europe, Russia
- 1<sup>st</sup> time smartphone volume over 1M, +6.8x YTY

## AG (Americas)

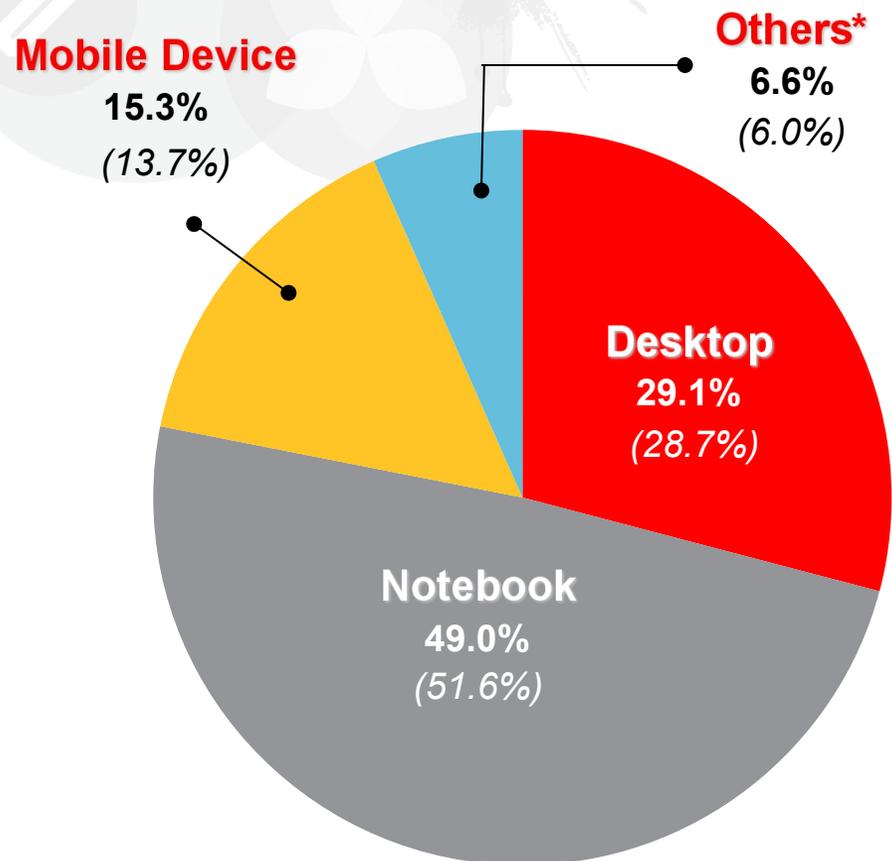
- Record high PC share at 12.5%, up 2.7pts YTY; Record high US PC share at 11.3, up 1.5pts YTY;
- AG revenue grew 19% YTY driven by growth across all products and regions
- PC volume up 24% YTY, outperformed market by 27.0pts
- Continued to invest in Brazil and LAS

	Revenue US\$ Million			Segment Operating Profit US\$ Million			Segment Operating Profit Margin		
	Q1 FY15	Y/Y	Q/Q	Q1 FY15	Q1 FY14	Q4 FY14	Q1 FY15	Q1 FY14	Q4 FY14
China	3,780	61	678	209	194	170	5.5%	5.2%	5.5%
China - PC <sup>#</sup>	2,791	41	350	195	188	168	7.0%	6.8%	6.9%
AP	1,585	270	(151)	64	11	47	4.1%	0.9%	2.7%
EMEA	2,789	921	214	95	26	75	3.4%	1.5%	2.9%
AG	2,241	356	297	25	26	13	1.1%	1.4%	0.7%

# 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 17%; 21-pt market premium
- Market share at 21.0%, up 3.7pts YTY
- Revenue up 12% YTY

## Desktop

- Shipments up 12%; 10-pt market premium
- Market share at 17.5%, up 1.5pts YTY
- Revenue up 20% YTY

## Mobile Device

- Revenue up 32% YTY
- Smartphone shipments grew 39% YTY
- WW smartphone share up 0.5pts YTY to 5.2%
- Tablet shipments up 67% YTY
- WW tablet share up 1.7pts YTY to 4.9%

\* 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>	Q1 FY2014/15	Q1 FY2013/14
Revenue	10,395	8,787
Cost of sales	(9,046)	(7,596)
Gross profit	1,349	1,191
Selling and distribution expenses	(467)	(438)
Administrative expenses	(369)	(346)
Research and development expenses	(180)	(170)
Other operating expense – net	(50)	(35)
Operating profit	283	202
Finance income	18	12
Finance costs	(35)	(15)
Share of (losses) / profits of associates and joint ventures	(2)	16
Profit before taxation	264	215
Taxation	(53)	(45)
Profit for the period	211	170
Profit attributable to:		
- Equity holders of the Company	214	174
- Non-controlling interests	(3)	(4)
Earnings per share (US cents)		
- Basic	2.06	1.67
- Diluted	2.03	1.65

# Condensed Consolidated Cash Flow Statement

*US\$ Million*

	Q1 FY2014/15	Q1 FY2013/14
<b>Net cash generated from operating activities</b>	<b>378</b>	<b>140</b>
<b>Net cash used in investing activities</b>	<b>(302)</b>	<b>(139)</b>
<b>Net cash generated from / (used in) financing activities</b>	<b>1,498</b>	<b>(49)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>1,574</b>	<b>(48)</b>
<b>Effect of foreign exchange rate changes</b>	<b>5</b>	<b>7</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,858</b>	<b>3,454</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5,437</b>	<b>3,413</b>

THANK YOU GRACIAS OBRIGADO  
GRAZIE MERCI DANKE GRAZIAS 謝謝 СПАСИБО  
MERCI DANKE GRAZIAS 謝謝  
DANK TAKK BEDANKT DAKUJEM