

2012/13 Second Quarter Results

November 8, 2012

lenovo® **FOR**
THOSE
WHO DO.™



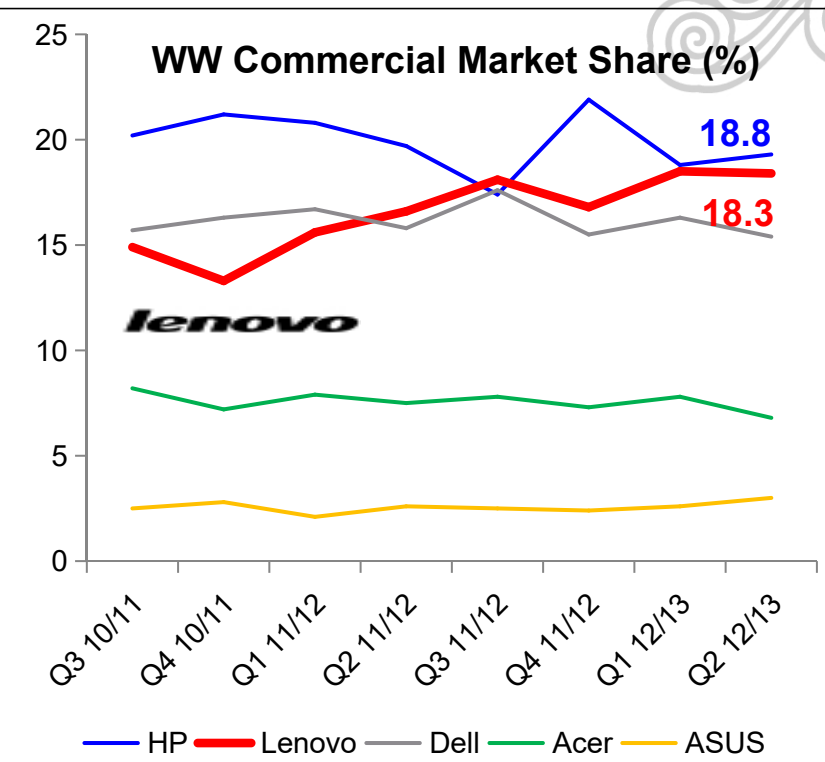
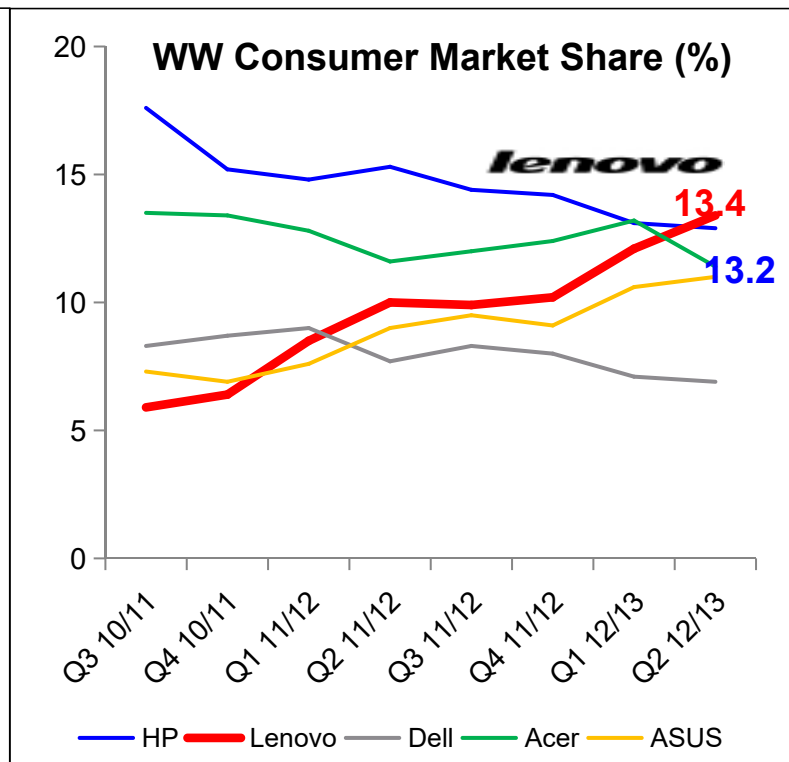
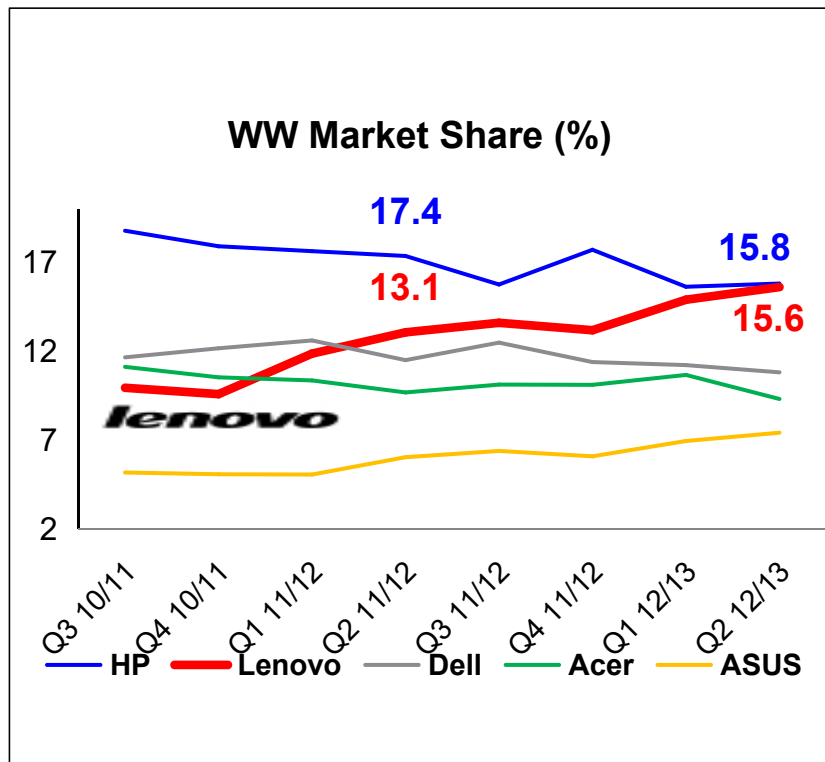
Yang Yuanqing

Chairman & CEO

Our Momentum Gets Stronger and More Balanced

Strong Growth Across the Board

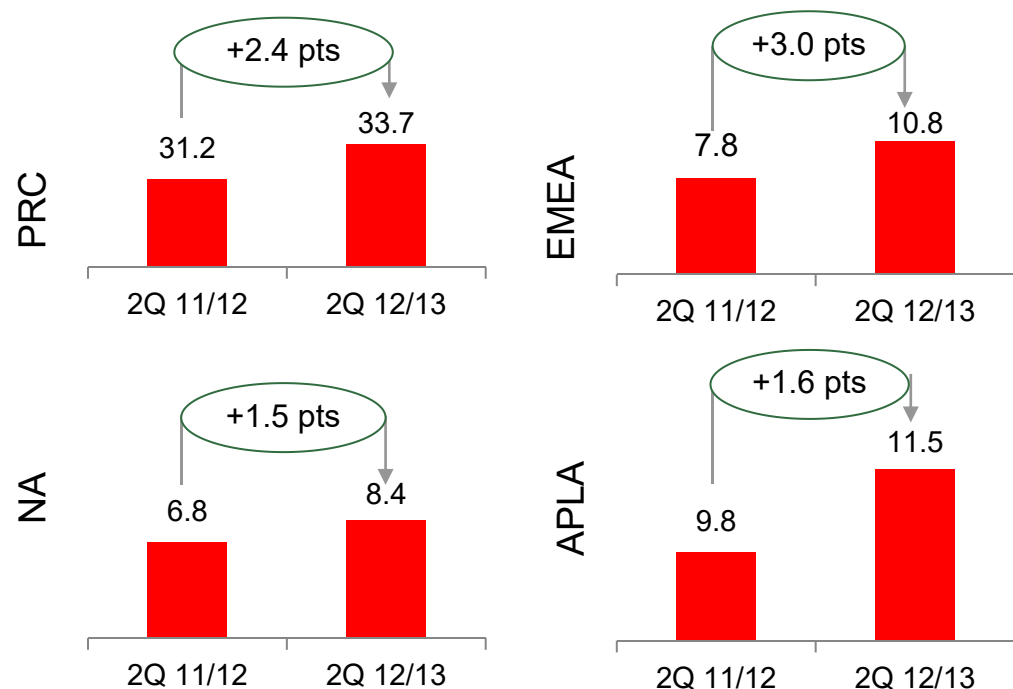
- Record market share, closed gap with #1 to only 0.2pt
- #1 in WW consumer for first time, #2 in WW commercial



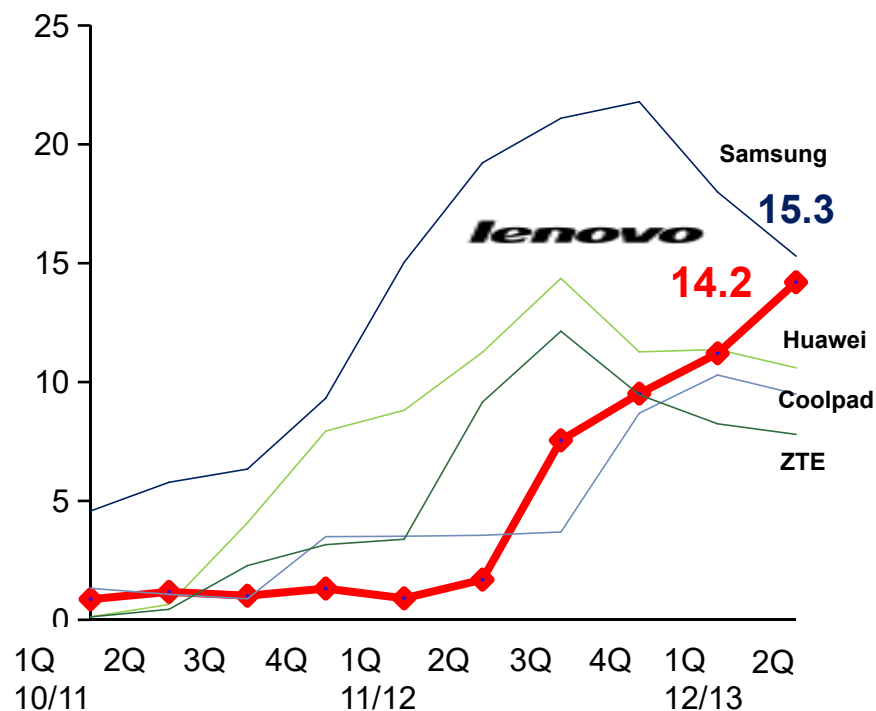
Our Momentum Gets Stronger and More Balanced

- All GEOs delivered stellar PC performance with margin improvement
- Mobile Internet business helped drive China's 20% growth YTY
 - China smartphone sales 18x growth YTY, a point away from market leader

Lenovo PC Gains Share in All GEOs(%)



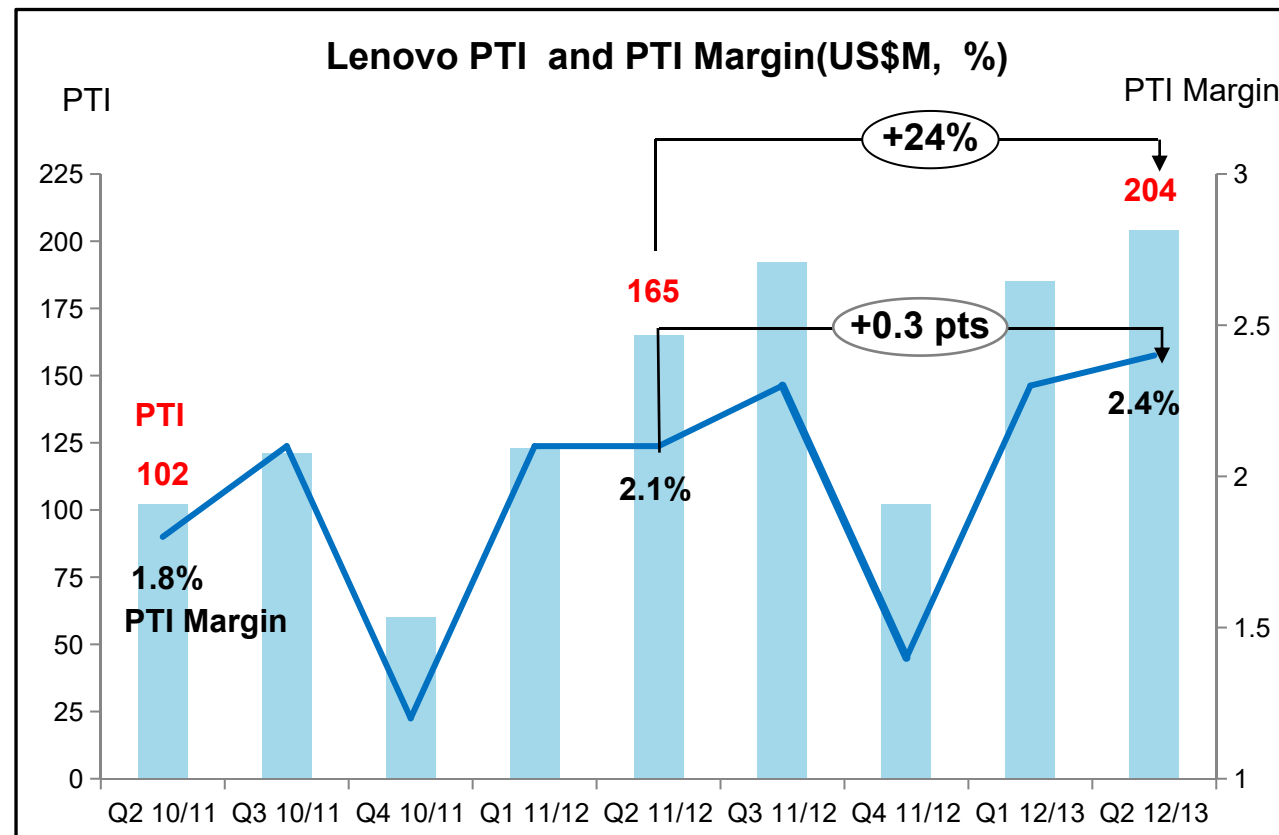
PRC Smartphone market share (%)



Source: SINO

Strong Growth with Improved Profitability

- PTI Margin improved 0.3 points YTY
- Record-high PTI of 204 million USD, up 24% YTY
- Net income of 162 million USD, up 13% YTY



Source: Internal Data

Key to Success

- **Right Strategy & Strong Execution**
- Efficient Business Model
- Innovative Products
- Diversified Team
- Global Culture

Protect

China

- 1 Extend PC share lead
- 2 Increase profitability
- 3 Grow commercial with Server and workstation

Mature Rel

- 1 Deliver steady profits in all regions
- 2 Drive share gain across the board

Attack

MIDH

- 1 Grow our MIDH presence globally
 - Pad / Phone / Smart TV in China
 - Global Pad offering
- 2 Drive convergence (cloud devices, killer apps, best user experience)

REM

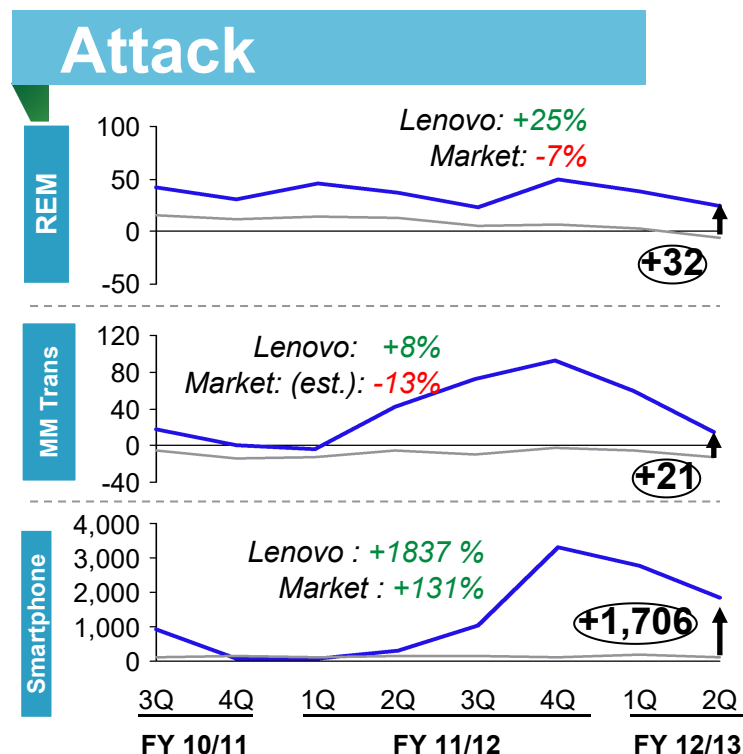
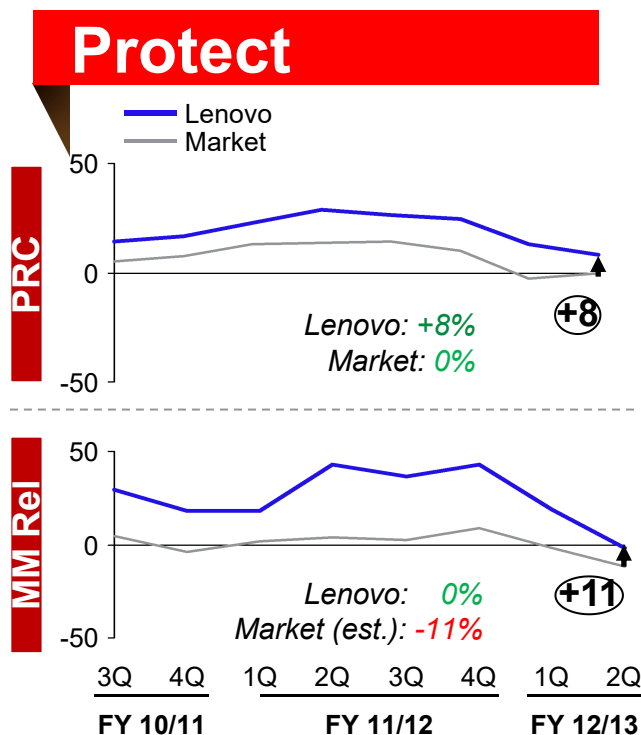
- 1 Get 10%+ share in key countries
- 2 Attack SMB/consumer & move to profitability

Mature TM

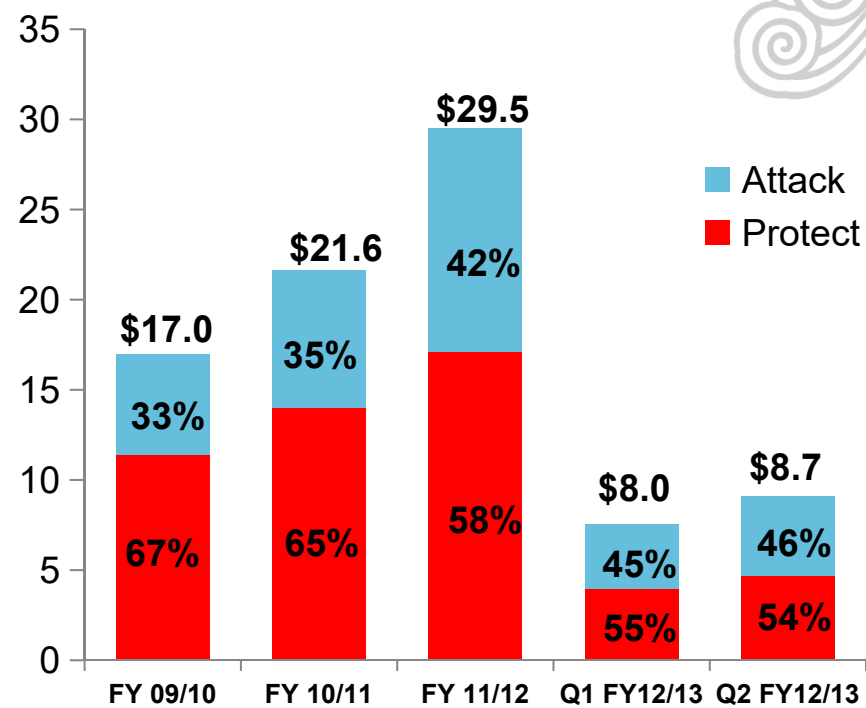
- 1 Grow share through Home/SMB and retail channels
- 2 Expand attach business to drive profitability

Right Strategy Drives Balanced Performance

- Protect: China and WW commercial maintained leadership, improved profitability
- Attack: REM/Mature Transactional now in profitable growth stage with hyper growth of scale
- Attack: MIDH 8% of company revenue, China smartphone profitable in a couple quarters



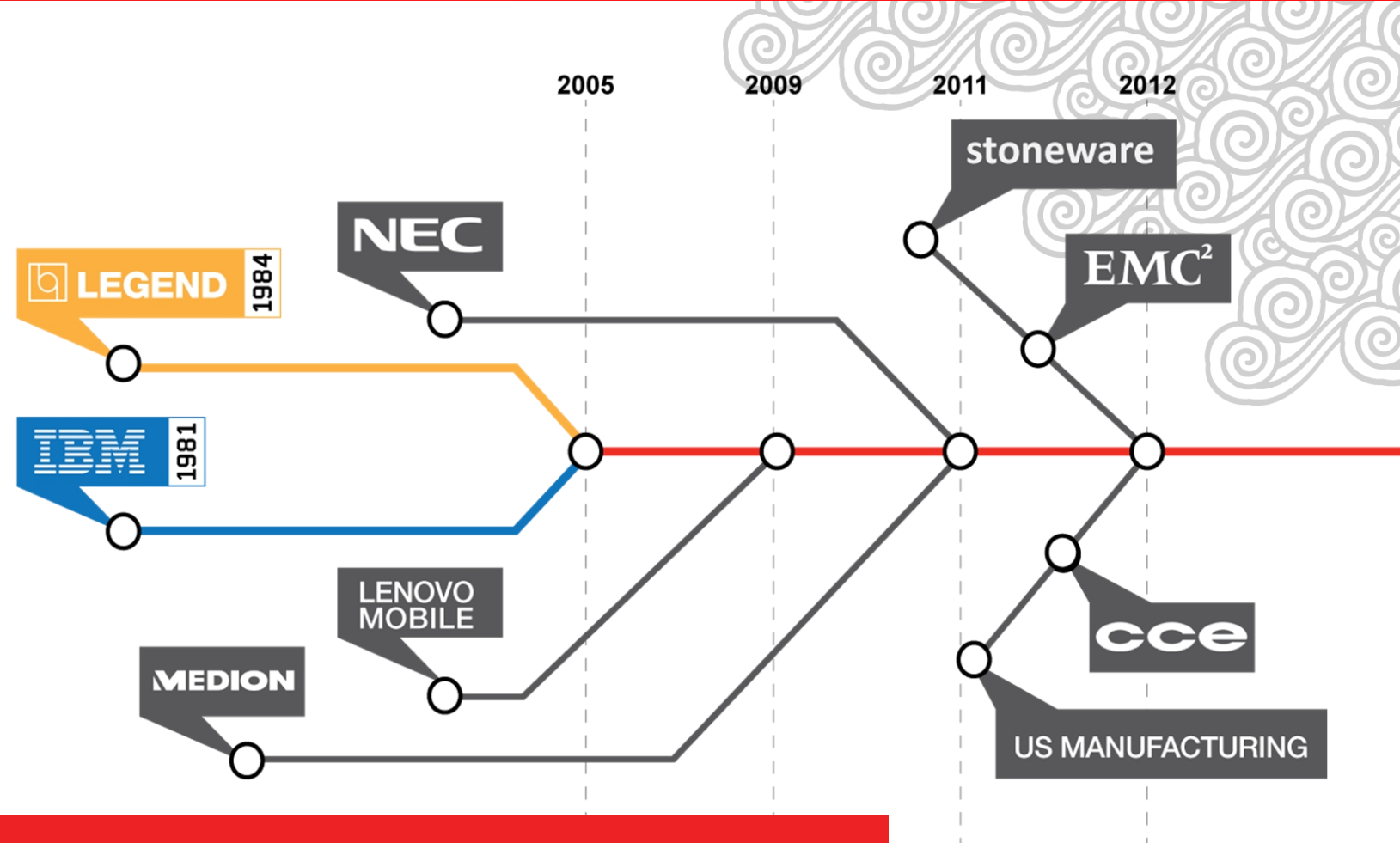
Increasing Revenue Mix From Attack(US\$B)*



*FY 08/09 and FY 09/10 each include \$0.4B USD in Lenovo Mobile sales, which are included for comparison purposes.

Building Core Strengths: Business Model and Team/Culture

- Refine **business model** by leveraging local advantages in R&T and in house manufacturing in key markets
- Strengthen the diversified **team and culture**.



Establish a Global/Local Company

Building Core Strengths: Innovation

- Ready to capture opportunity Windows8 brings to the industry
- Convertible notebooks create more compelling PC+ choices
- Will introduce more exciting products at CES

ThinkPad®

Twist



ideapad.

Yoga



Looking Ahead

See many growth opportunities
On course to be the industry leader
Priority now: become leader in PC+
Outgrow the market, deliver strong profits



Wong Wai Ming

Chief Financial Officer

Financial Summary

US\$ Million	Q2 FY2012/13	Q2 FY2011/12	Y/Y%	Q/Q%	Interim FY2012/13	Y/Y%
Sales	8,672	7,786	11%	8%	16,682	22%
Gross Profit	1,050	947	11%	10%	2,009	19%
Operating Expenses	(844)	(781)	8%	9%	(1,621)	16%
Operating Profit	206	166	24%	13%	388	34%
Other Non-Operating Expenses / (Income)	(2)	(1)	47%	NA	1	NA
Pre-tax Income	204	165	24%	10%	389	35%
Taxation	(41)	(20)	103%	0%	(82)	134%
Profit For The Period	163	145	13%	13%	307	21%
Non-Controlling Interests	(1)	(1)	12%	-73%	(4)	421%
Profit Attributable to Equity Holders	162	144	13%	15%	303	20%
EPS (US cents)						
- Basic	1.58	1.41	0.17	0.21	2.95	0.42
- Diluted	1.55	1.38	0.17	0.22	2.89	0.43
Dividend per share (HK cents)					4.50	0.70
	Q2 FY2012/13	Q2 FY2011/12	Q1 FY2012/13			
Gross margin	12.1%	12.2%	12.0%			
E/R ratio	9.7%	10.0%	9.7%			
Operating margin	2.4%	2.1%	2.3%			
PTI margin	2.4%	2.1%	2.3%			
Net margin attributable to Equity Holders	1.9%	1.9%	1.8%			

Condensed Balance Sheet

US\$ Million

	As at Sep 30, 2012	As at Jun 30, 2012
Non-current assets	4,154	4,008
Property, plant and equipment	399	387
Intangible assets	3,086	3,039
Others	669	582
Current assets	12,558	11,777
Bank deposits and cash	3,875	3,766
Trade, notes and other receivables	7,033	6,350
Inventories	1,540	1,510
Others	110	151
Current liabilities	12,077	11,471
Short-term bank loans	24	41
Trade, notes and other payables	11,506	10,962
Others	547	468
Net current assets	481	306
Non-current liabilities	2,241	1,846
Total equity	2,394	2,468

Cash and Working Capital

US\$ Million

Q2 FY2012/13

Q2 FY2011/12

Q1 FY2012/13

Bank deposits and cash

3,875

4,223

3,766

Total Bank Borrowings

324

259

41

Net Cash Reserves

3,551

3,964

3,725

Days Inventory

19

18

19

Days Receivable

33

33

34

Days Payable

61

71

66

Cash Conversion Cycle

-9 days

-20 days

-13 days

Q2 FY13: Performance By Geography

China

- Total revenue of China up 20% driven by 1.7x revenue growth of MIDH
- PC volume up 8% YTY, 8%-market premium, benefited from high exposure in emerging cities & urbanization
- China PC operating margin up 0.2pt to 5.9%
- MIDH profitability continued to improve

APLA

- Record market share
- PC volume up 5% YTY, 15%-market premium
- #1 in Japan & India
- Operating margin doubled to 0.8%

EMEA

- Became #3; Record market share, 1st time share >10%
- PC volume up 27% YTY, 35%-market premium
- #1 in Germany, Russia & Denmark
- EMEA consumer business became profitable
- Operating margin up 0.6pt to 2.0%

NA

- Record market share in US
- PC volume up 8% YTY, 20%-market premium
- Operating margin up 0.2pt to 3.6%

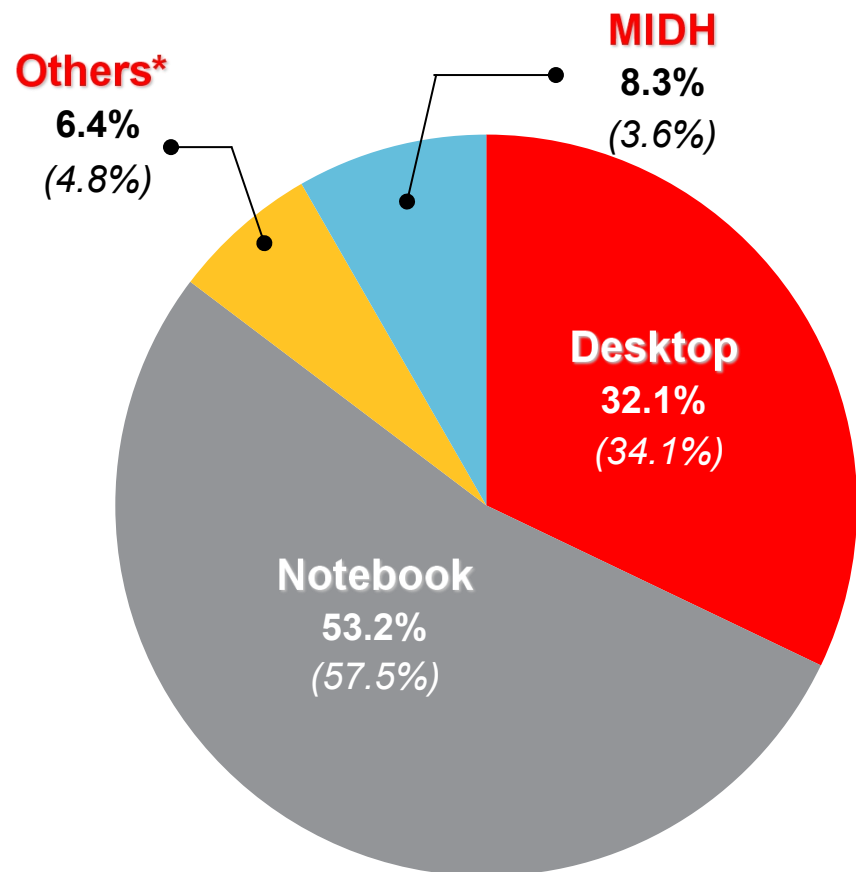
Including MIDH and non-PC revenue & results	Sales US\$ Million			Segment Operating Profit US\$ Million			Segment Operating Profit Margin		
	Q2 FY13	Y/Y	Q/Q	Q2 FY13	Q2 FY12 [^]	Q1 FY13	Q2 FY13	Q2 FY12 [^]	Q1 FY13
China	3,822	20%	9%	163	140	170	4.3%	4.4%	4.8%
China - PC [#]	3,146	8%	6%	185	167	192	5.9%	5.7%	6.5%
APLA	1,825	-2%	6%	15	7	0	0.8%	0.4%	0.0%
EMEA	1,793	12%	13%	36	23	23	2.0%	1.4%	1.4%
North America	1,232	7%	4%	45	39	46	3.6%	3.4%	3.9%

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 Geo structure and shared expenses allocation.

Q2 FY13: Performance By Product

Revenue by Product



* Note: miscellaneous businesses including servers, services and software and Medion's non-PC business.

Notebook

- Shipments up 11% YTY, 18% market premium; Sales up 3% YTY
- Record high market share at 15.9%, up 2.6pts YTY

Desktop

- Shipments up 9% YTY, 18% market premium; Sales up 5% YTY
- Record high market share at 15.3%, up 2.6pts YTY

MIDH

- MIDH Sales up 1.5x YTY
- Strong smartphone volume growth of 18x YTY; #2 in PRC with 14.2% market share
- #2 in PRC tablet market; WW tablet volume doubled YTY

Appendix

- Consolidated Income Statement
- Condensed Consolidated Cash Flow Statement

Consolidated Income Statement

<i>US\$ Million</i>	Q2 2012/13	Q2 2011/12	Interim FY2012/13	Interim 2011/12
Sales	8,672	7,786	16,682	13,706
Cost of sales	(7,622)	(6,839)	(14,673)	(12,020)
Gross profit	1,050	947	2,009	1,686
Selling and distribution expenses	(489)	(458)	(935)	(808)
Administrative expenses	(198)	(197)	(392)	(371)
Research and development expenses	(153)	(119)	(288)	(196)
Other operating expense - net	(4)	(7)	(6)	(22)
Operating profit	206	166	388	289
Finance income	10	10	21	19
Finance costs	(11)	(11)	(19)	(20)
Share of losses of associated companies	(1)	-	(1)	-
Profit before taxation	204	165	389	288
Taxation	(41)	(20)	(82)	(35)
Profit for the period	163	145	307	253
Profit attributable to:				
Non-controlling interests	1	1	4	1
Equity holders of the company	162	144	303	252
Dividend	-	-	60	50
Earnings per share (US cents)				
- Basic	1.58	1.41	2.95	2.53
- Diluted	1.55	1.38	2.89	2.46

Condensed Consolidated Cash Flow Statement

<i>US\$ Million</i>	Q2 FY2012/13	Q2 FY2011/12	Q1 FY2012/13
Net cash generated from/(used in) operating activities	143	627	(334)
Net cash (used in) / generated from investing activities	(328)	(227)	153
Net cash generated from/(used in) financing activities	58	(66)	11
(Decrease)/Increase in cash and cash equivalents	(127)	334	(170)
Effect of foreign exchange rate changes	18	(7)	(25)
Cash and cash equivalents at the beginning of the period	3,563	3,842	3,758
Cash and cash equivalents at the end of the period	3,454	4,169	3,563

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