

2015/16 Q1 Results

Lenovo®



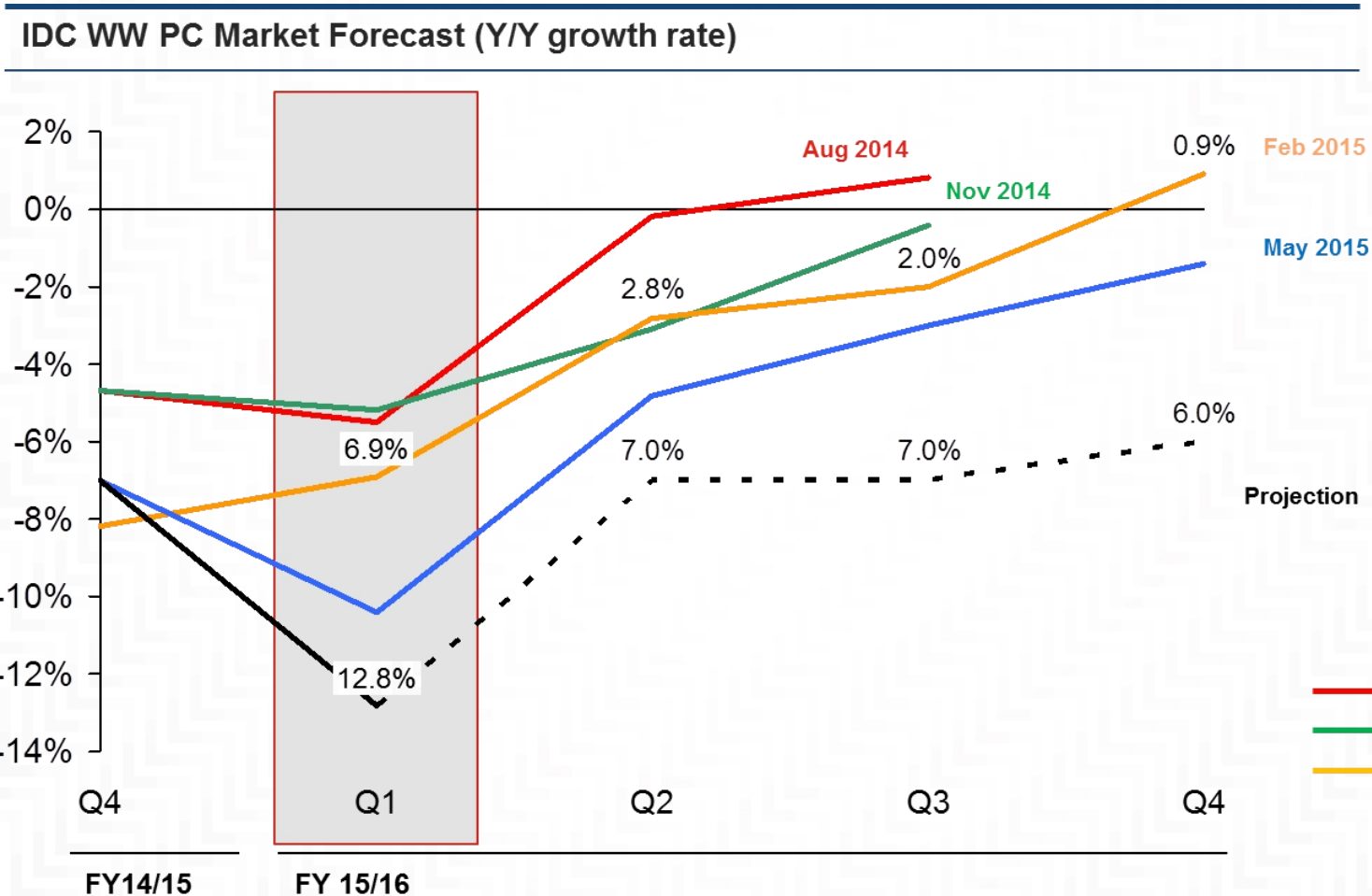
+ Forward Looking Statement

This presentation contains “forward-looking statements” which are statements that refer to expectations and plans for the future and include, without limitation, statements regarding Lenovo’s future results of operations, financial condition or business prospects as well as other statements based on projections, estimates and assumptions. In some cases, these statements can be identified by terms such as “expect,” “intend,” “plan,” “believe,” “estimate,” “may,” “will,” “should” and comparable words (including the negative of such words). These forward-looking statements, reflect the current expectations and plans of the directors and management of Lenovo, which may not materialize or may change. Many risks, uncertainties and other factors, some of which are unpredictable and beyond Lenovo’s control, could affect the matters discussed in these forward-looking statements. These factors include, without limitation, economic and business conditions globally and in the countries where we operate, Lenovo’s ability to predict and respond quickly to market developments, consumer demand, pricing trends and competition; changes in applicable laws and regulations (including applicable tax and tariff rates). Any variance from the expectations or plans on which these forward-looking statements are based could cause Lenovo’s actual results or actions to differ materially from those expressed or implied in these statements. These forward-looking statements are not guarantees of future performance and you are cautioned not to place undue reliance on these statements. Lenovo undertakes no obligation to update any forward-looking statements in this presentation, whether as a result of new information or any subsequent change, development or event. All forward-looking statements in this presentation are qualified by reference to this paragraph.

+ Challenges in the Market

• PC:

- Market declined significantly and faster than expected due to lower inventories ahead of Windows 10 launch, currency depreciation

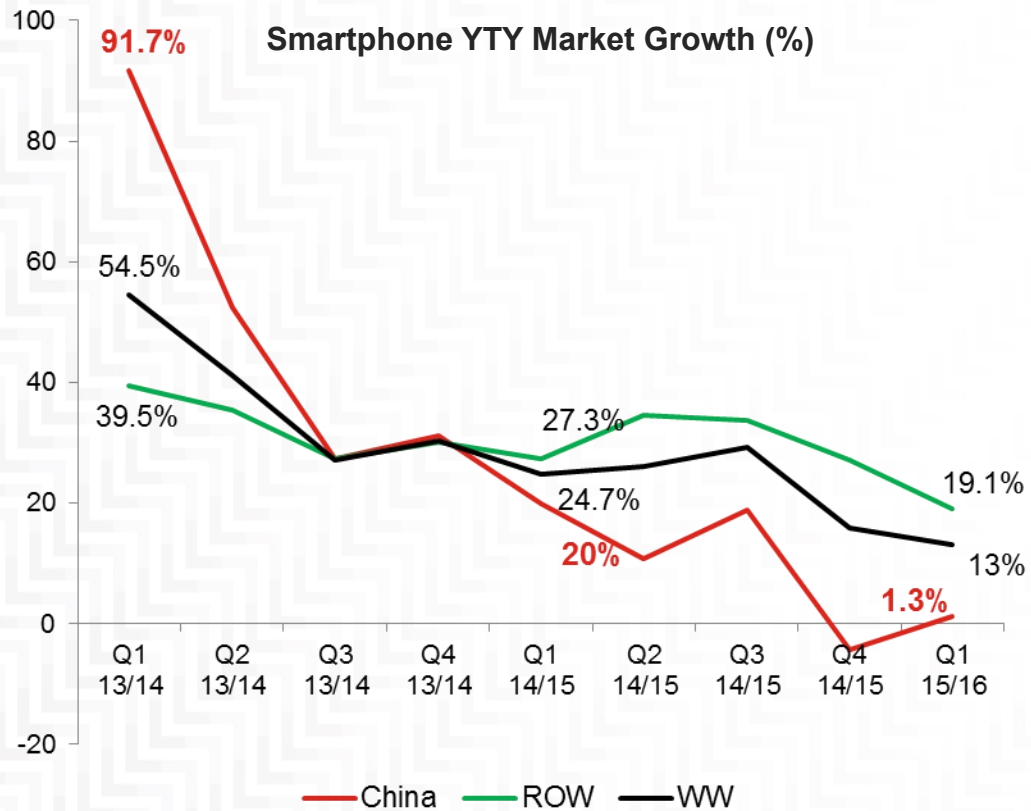


— Aug 2014 IDC — May 2015 IDC
— Nov 2014 IDC — Actual
— Feb 2015 IDC - - - Projection

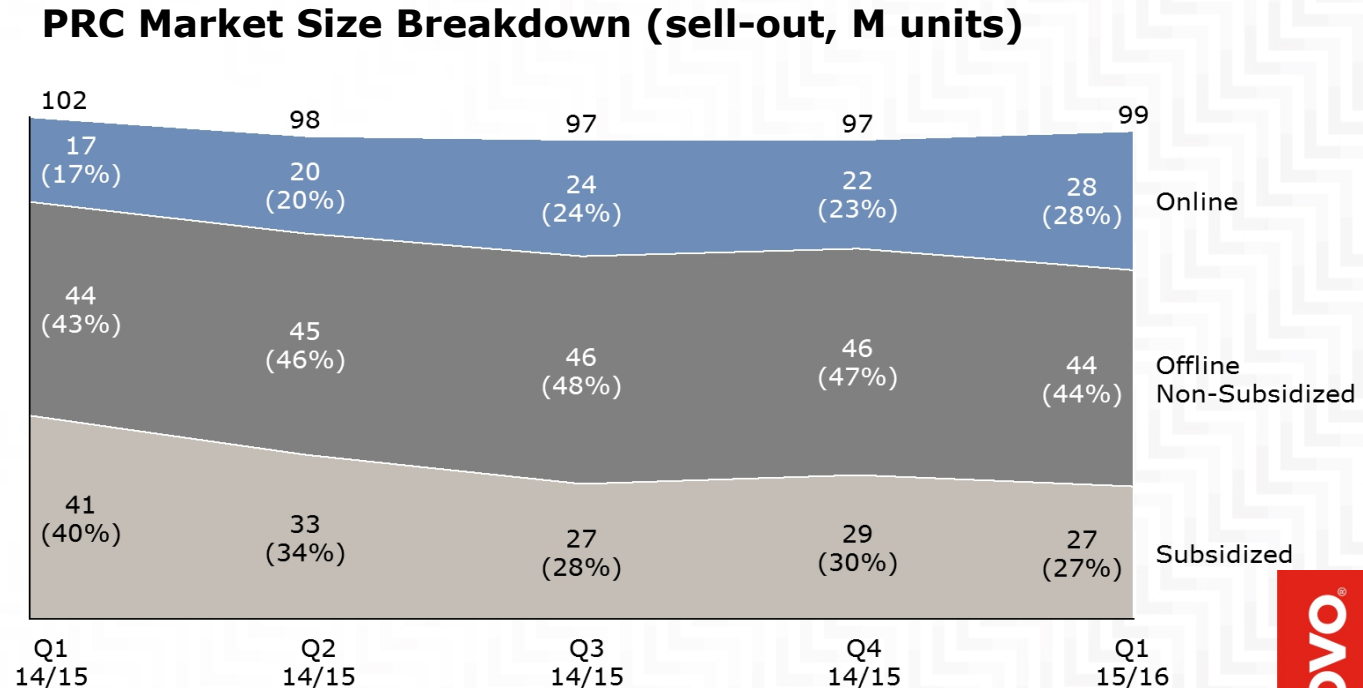
+ Challenges in the Market

• Smartphone:

- Currency fluctuations, macroeconomic issues in Brazil/LA - Motorola's strongest markets
- China market shifted, competition in China more intensified



Source: IDC

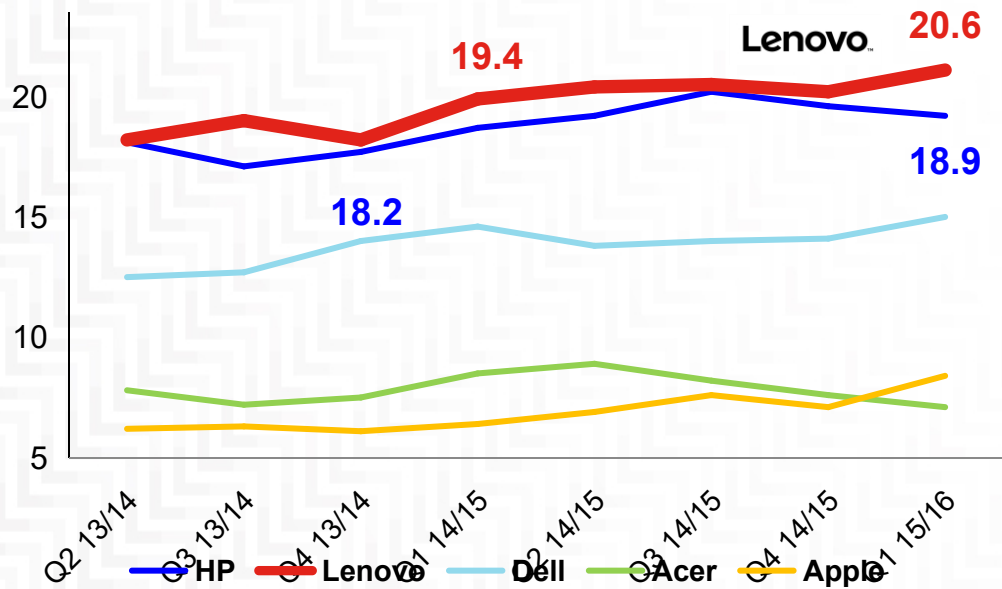


Source: SINO

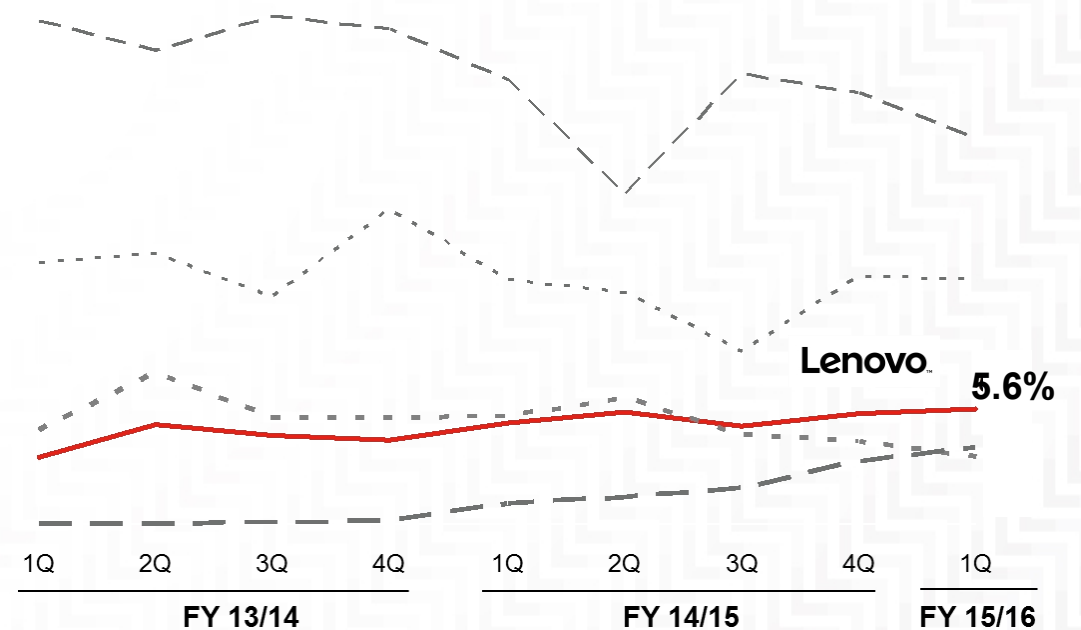
+ Delivered Solid Performance Despite Challenges

- **PC**: Record worldwide share; margins up **0.3 pts** YTY
- **Tablet**: Outgrew market by **12 points**, narrowed gap with top 2

WW PC Market Share (%)



WW Tablet Market Share (%)

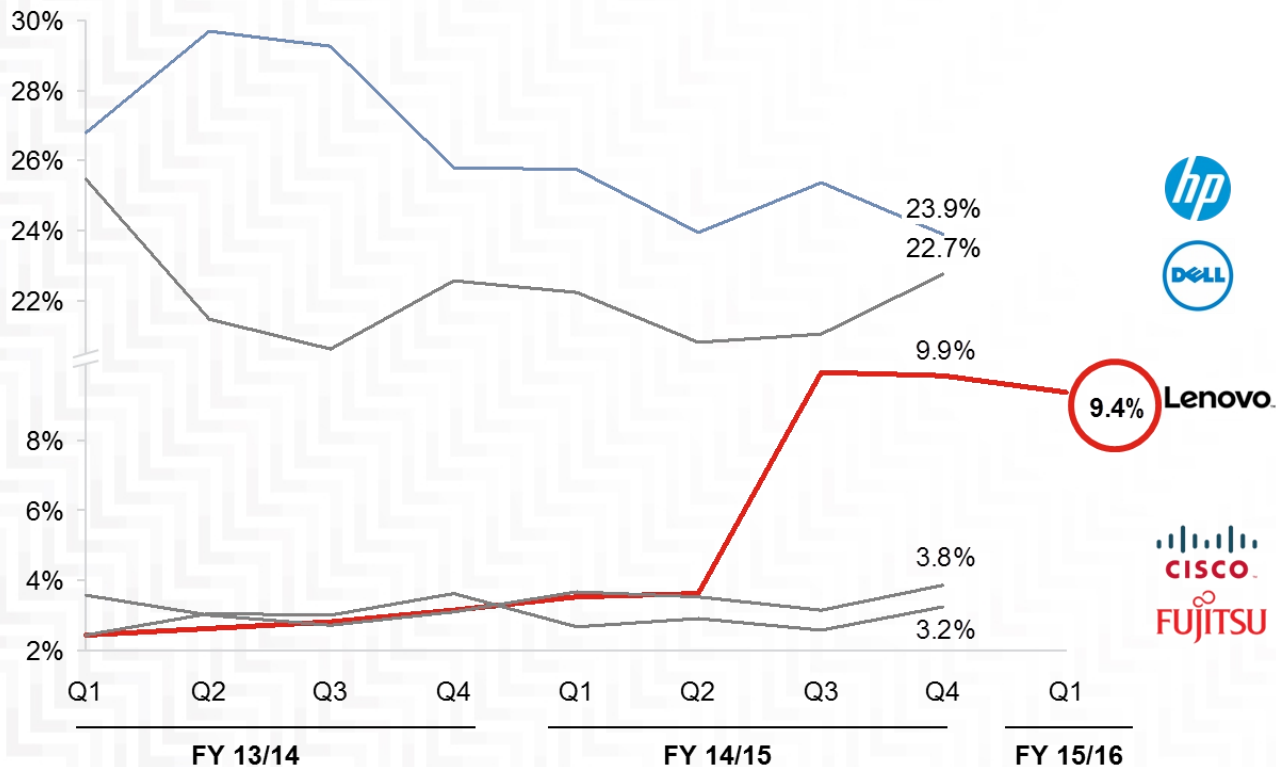


Source: IDC

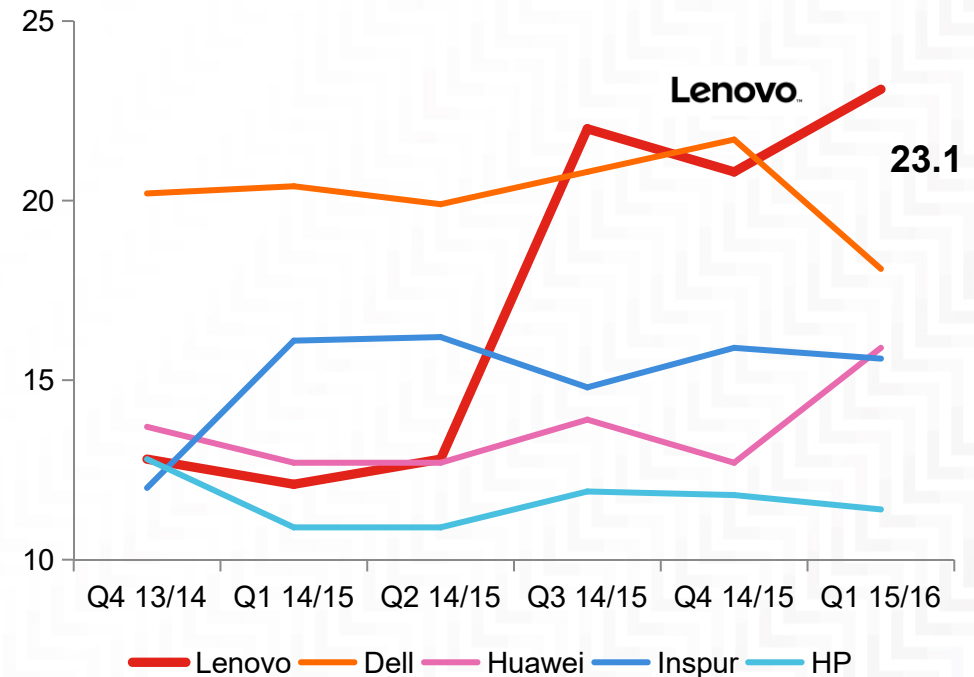
+ Delivered Solid Performance Despite Challenges

- **Enterprise:** ThinkServer revenue up **41%** YTY; regained **#1** share position in China x86 servers; third straight quarter operating profit

WW x86 Server Market Share (%)



China x86 Server Market Share (%)



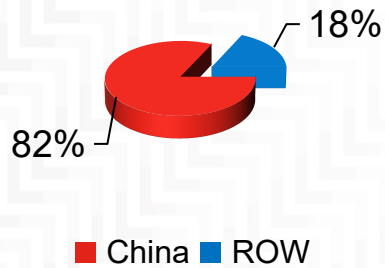
Source: Industry Data

+ Delivered Solid Performance Despite Challenges

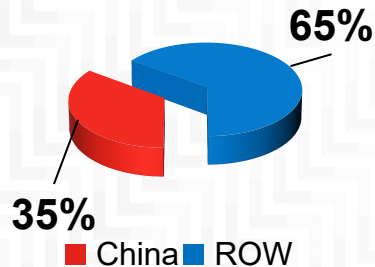
- **Smartphone:** Strategic shift from China to Rest of World paid off
 - Volume outside of China now **65%**, compared to 18% a year ago

Smartphone Volume Mix

Q1 14/15

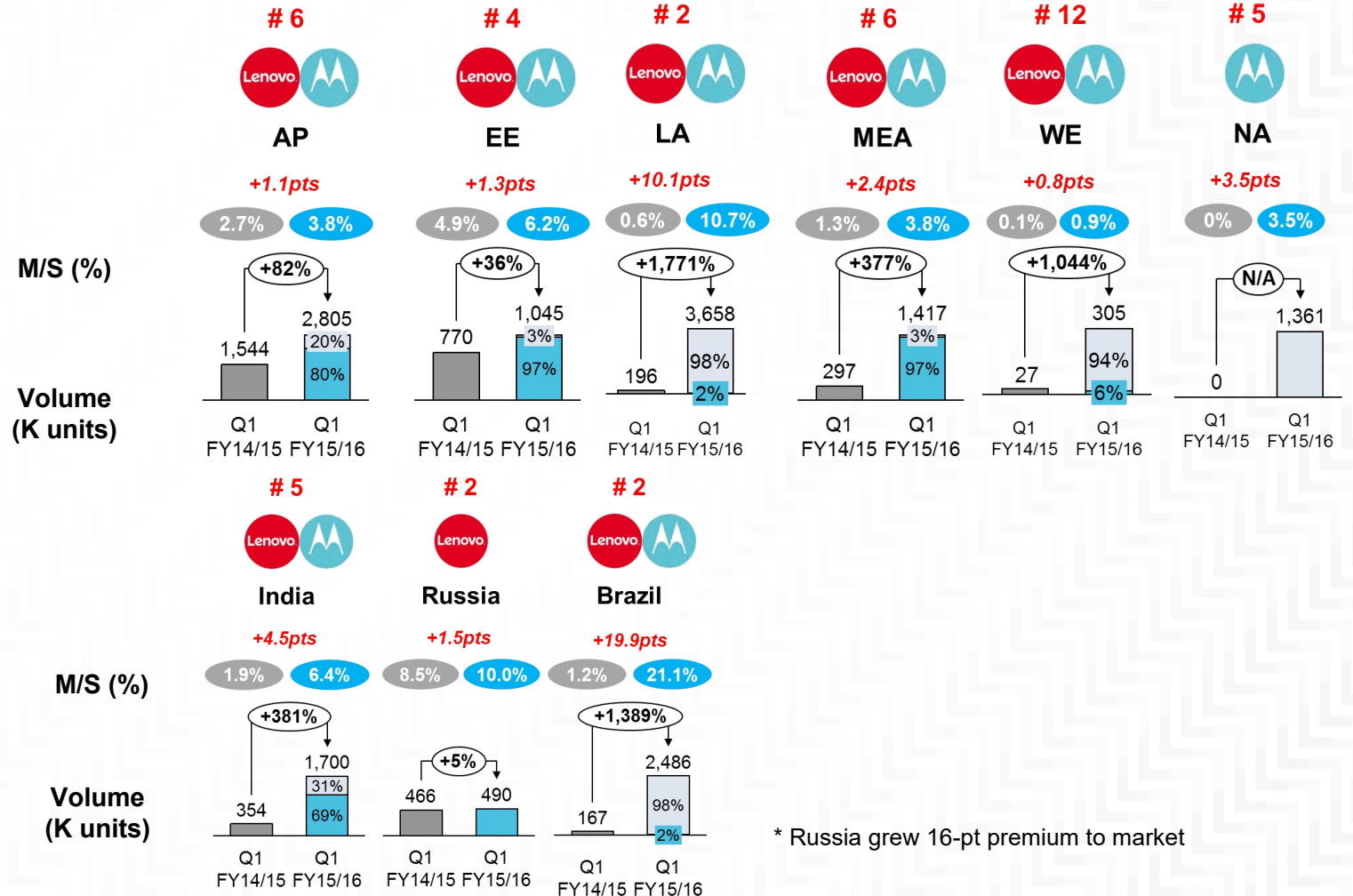


Q1 15/16



Source: IDC (May' 15), Financial Data

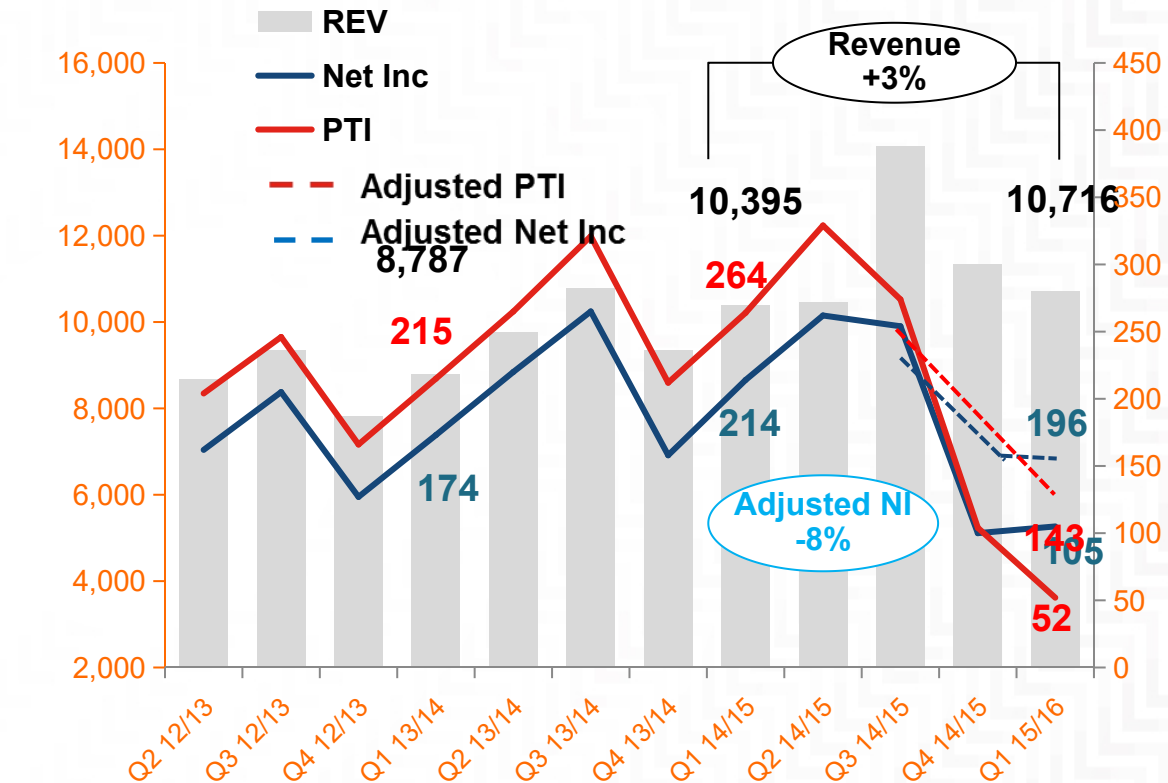
Smartphone Performance in Key Regions/Countries



* Russia grew 16-pt premium to market

+ Delivered Solid Performance Despite Challenges

- Revenue up **3%** YTY, (up **10%** excluding exchange rate impact)
- PTI was **\$143M*** (before M&A charges), **-46%** YTY
- Net Income was **\$196M*** (before M&A charges), **-8%** YTY



Source: Internal Data

*Before non-cash M&A related accounting charges

+ Strategies to Drive Realignment and Growth

Core Business

PC

- **Foundation is solid**, but must react to market decline
- Reduce fixed expenses and keep raising bar of **efficiency** for industry
- Leverage market **consolidation**, gain **share**

New Growth Engines

Enterprise

- Made progress, but will further **reduce costs** and build **highly efficient** cost structure
- Investing in **fastest growing product segments**
- Improve **sales force**
- Drive **hypergrowth** in China & other potential markets

Mobile

- **Further align** elements of Motorola and Lenovo to leverage strengths
- Streamline **organization** and **processes**
- Cut **cost, expenses by \$850M**
- Simplify **product portfolio**, shorten **product lifecycle**

+ Taking Decisive Actions

- **Workforce reduction:** 3,200 (non-manufacturing)
- **Timing:** Most will be complete in FY Q2
- Full year **run rate savings:** \$1.35b
- Estimated **savings for 2H:** \$650m
- Estimated **restructuring cost:** \$600m

+ Outlook

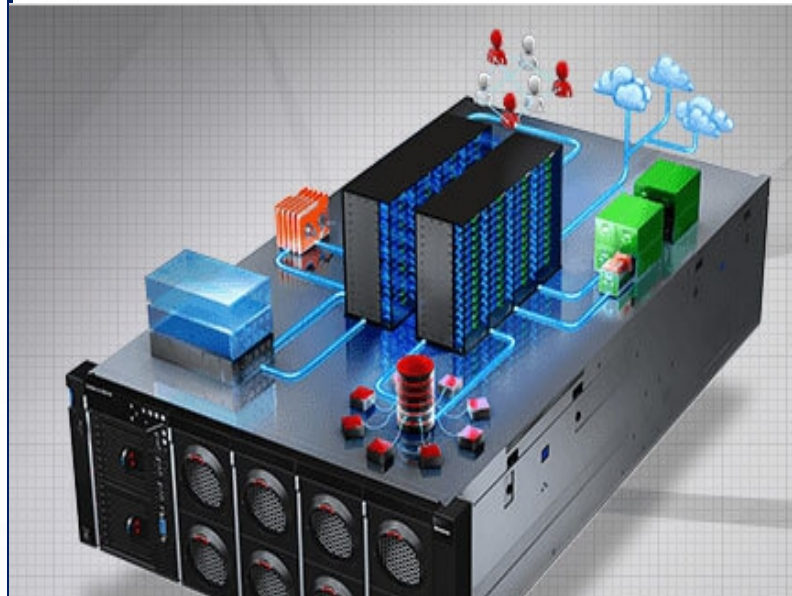
PC

- Goal: drive to **30%** market share



Enterprise

- Starting from a **\$5 billion** yearly business, build sustainable growth with good margin



Mobile


- Mobile breakeven in **2-3 quarters**
- Become solid **#3** in smartphone



+ Lenovo's Transformation

- **Direct online sales** capabilities
- Combining **offline** channel, **service** capabilities with **online** sales opportunities
- Exploring innovative ways of providing **personalized, customized services** to customers

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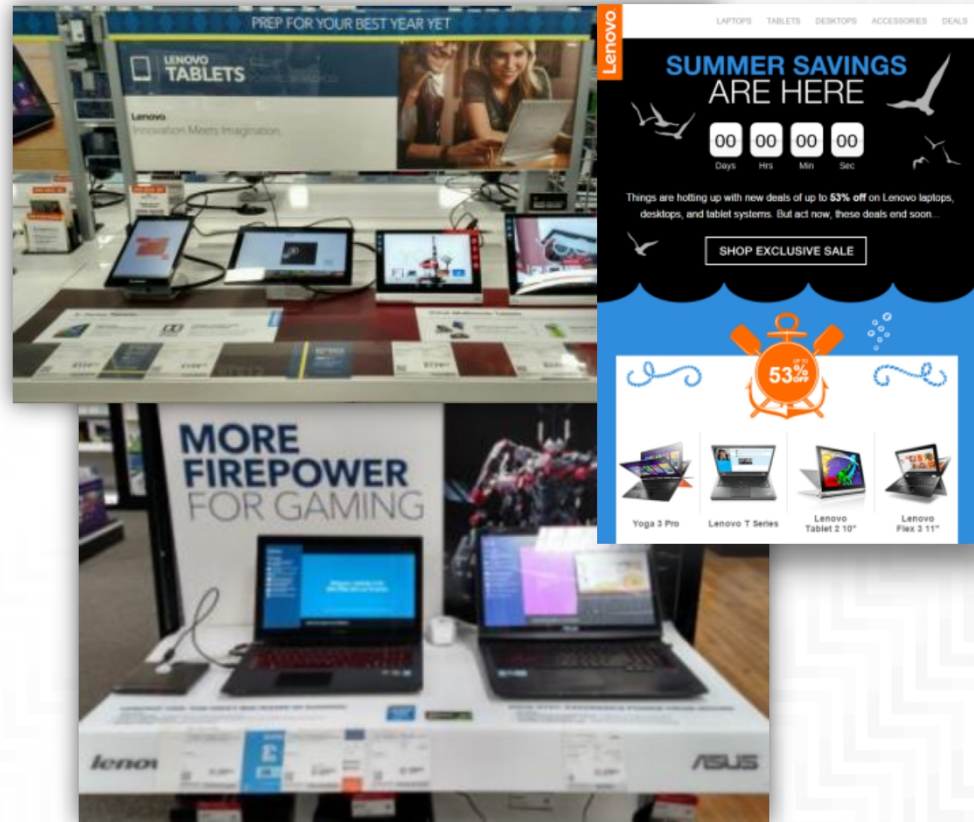
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LENOVO TABLETS

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+ Deliver Meaningful Innovation

- Continue to **innovate** in products
- Innovation showcased at **Tech World**
- Recent **Motorola launches**
- **IFA**: Wave of new holiday PCs, tablets and wearables



+ Financial Summary

<i>US\$ Million</i>	Q1 FY2015/16	Q1 FY2014/15	Y/Y%	Q/Q%
Revenue	10,716	10,395	3%	-5%
Gross Profit	1,647	1,349	22%	-7%
Operating Expenses	(1,551)	(1,058)	47%	-6%
Operating Profit	96	291	-67%	-25%
Other Non-Operating Expenses – net	(44)	(27)	61%	85%
Pre-tax Income	52	264	-80%	-50%
Taxation	50	(53)	N.A	N.A
Profit for the period	102	211	-52%	5%
Non-controlling interests	3	3	11%	16%
Profit attributable to Equity Holders	105	214	-51%	5%
EPS (US cents)				
- Basic	0.95	2.06	(1.11)	0.04
- Diluted	0.94	2.03	(1.09)	0.04
	Q1 FY2015/16	Q1 FY2014/15	Q4 FY2014/15	
Gross margin	15.4%	13.0%	15.7%	
E/R ratio	14.5%	10.2%	14.6%	
Operating margin	0.9%	2.8%	1.1%	
PTI margin	0.5%	2.5%	0.9%	
Net margin attributable to Equity Holders	1.0%	2.1%	0.9%	

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

	Q1 FY15/16	Q1 FY14/15	Change (YTY)
Accounting Operating Profit (As-Reported)	96	291	-67%
○ Other Non-Operating Expenses	-44	-27	+61%
Pre-tax Income (As-Reported)	52	264	-80%
○ Non-Cash M&A Related Accounting Charges	+91	-	NA
PTI Before Non-Cash M&A Related Accounting Charges	143	264	-46%
○ Tax	+50	-53	NA
○ Non-Controlling Interests	+3	+3	11%
○ Non-Cash M&A Related Accounting Charges	-91	-	NA
Net Income (As-Reported)	105	214	-51%

+ Condensed Balance Sheet

US\$ Million

	As at Jun 30, 2015	As at Mar 31, 2015
Non-current assets	11,797	11,653
Property, plant and equipment	1,482	1,496
Intangible assets	8,942	8,930
Others	1,373	1,227
Current assets	14,901	15,428
Bank deposits and cash	2,893	3,026
Trade, notes and other receivables	8,947	9,085
Inventories	2,864	2,995
Others	197	322
Current liabilities	16,175	17,161
Short-term loans	913	1,168
Trade, notes, other payables and provisions	14,381	15,103
Others	881	890
Net current liabilities	1,274	1,733
Non-current liabilities	6,445	5,814
Total equity	4,078	4,106

+ Cash and Working Capital

US\$ Million	Q1 FY2015/16	Q1 FY2014/15	Q4 FY2014/15
Bank deposits and cash	2,893	5,532	3,026
Total Borrowings	3,441	1,954	3,054
Net (Debt) / Cash Reserves	(548)	3,578	(28)
Net cash (used in) / generated from operating activities	(310)	386	(1,102)
Days Inventory	32	28	32
Days Receivable	42	32	44
Days Payable	69	66	73
Cash Conversion Cycle	5 days	-6 days	3 days

+ Q1FY16 Performance by Business Group

PC

- Record WW share at 20.6%, up 1.3pts YTY
- Share gains in all geos
- PC shipments down 7.1% vs. market -12.8%
- Rev excluding FX impact down 5% YTY; ASP remained stable
- Strong performance in NA (13.2%, +1.6pts YTY)

Enterprise

- Revenue up 5.8x YTY including of System X
- Strong ThinkServer revenue growth up 41% YTY
- Regained #1 position in PRC x86 server
- Operational profit for 3rd quarter

Mobile

- Mobile Revenue up 33% YTY including Motorola
- Smartphones shipments up 2% YTY to 16.2M
- Strong smartphone momentum in markets outside China, shipments up 68% YTY
- Market challenges in PRC & LATAM
- Tablet maintained WW #3, shipments grew 4% YTY to 2.5M, share up 0.7pts to 5.6%

	Revenue US\$ Million			Segment Pretax Income/ (Loss) US\$ Million			Segment Pretax Income Margin (%)		
	Q1 FY16	Y/Y#	Q/Q	Q1 FY16	Q1 FY15#	Q4 FY15	Q1 FY16	Q1 FY15#	Q4 FY15
PC	7,282	(1,048)	122	368	399	391	5.1%	4.8%	5.5%
Mobile	2,114	520	(731)	(292)	(9)	(218)	-13.8%	-0.6%	-7.7%
Enterprise	1,077	918	11	(40)	(18)	(45)	-3.8%	-11.3%	-4.2%

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

Not include Motorola and System X performances as they were yet the company's entities at that period

+ Q1FY16 Performance by Geography

China

- **PC:** Stable market share and margin performance
- **Mobile:** slow market due to carrier subsidy cut & shift to online
- **Enterprise:** EBG Rev grew 235% YTY, Strong ThinkServer shipments & regained #1 x86 server
- Revenue declined by 16% YTY due to lower mobile business performance

AP

- **PC:** Market share gain at 15.9%, up 0.9pt YTY
- **Mobile:** Strong smartphone shipments growth (+82%) driven by Lenovo brand
- **Enterprise:** Leveraging Lenovo channel expertise and ecosystems to accelerate the business
- Operating margin at 2.2%, down 1.9pt YTY due to lower Motorola biz performance

EMEA

- **PC:** Market share gain (19.9% +1.9% YTY)
- **Mobile:** Strong smartphone shipments growth at (+1.5x) mainly from Lenovo brand
- **Enterprise:** Attacking more opportunities with fully integrated team
- Revenue declined by 5% YTY due to lower PC shipment; Operating margin at 1.5%, down 1.9pt YTY

AG (Americas)

- **PC:** Share up 0.6pt YTY to 13.1%; Record share and strong shipments growth in NA (share:13.2%; +1.6%YTY; shipment +7.3% YTY)
- **Mobile:** Weak smartphone shipments due to slow market environment & product transition in Motorola
- **Enterprise:** Preparing to attack and capture more enterprise customers in future
- Operating margin at -4.0% due to losses in Brazil and Motorola

	Revenue US\$ Million			Segment Pretax Income/ (Loss) US\$ Million			Segment Pretax Income Margin (%)		
	Q1 FY16	Y/Y#	Q/Q	Q1 FY16	Q1 FY15#	Q4 FY15	Q1 FY16	Q1 FY15#	Q4 FY15
China	3,165	(615)	94	153	209	134	4.8%	5.5%	4.4%
AP	1,620	35	(72)	35	64	78	2.2%	4.1%	4.6%
EMEA	2,662	(127)	(304)	40	95	80	1.5%	3.4%	2.7%
AG	3,269	1,028	(336)	(131)	25	(9)	-4.0%	1.1%	-0.2%

Not include Motorola and System X performances as they were yet the company's entities at that period



Appendix

- ➔ - Consolidated Income Statement
- Condensed Consolidated Cash Flow Statement

+ Consolidated Income Statement

<i>US\$ Million</i>	Q1 FY2015/16	Q1 FY2014/15
Revenue	10,716	10,395
Cost of sales	(9,069)	(9,046)
Gross profit	1,647	1,349
Other income, net	2	-
Selling and distribution expenses	(566)	(467)
Administrative expenses	(566)	(369)
Research and development expenses	(389)	(180)
Other operating expense – net	(32)	(42)
Operating profit	96	291
Finance income	9	10
Finance costs	(51)	(35)
Share of gains of associated companies	(2)	(2)
Profit before taxation	52	264
Taxation	50	(53)
Profit for the period	102	211
Profit/(losses) attributable to:		
Equity holders of the company	105	214
Non-controlling interests	(3)	(3)
Earnings per share attributable to equity holders of the Company (US cents)		
- Basic	0.95	2.06
- Diluted	0.94	2.03

+ Condensed Consolidated Cash Flow Statement

<i>US\$ Million</i>	Q1 FY2015/16	Q1 FY2014/15
Net cash (used in)/generated from operating activities	(310)	386
Net cash used in investing activities	(147)	(310)
Net cash generated from financing activities	317	1,498
(Decrease)/increase in cash and cash equivalents	(140)	1,574
Effect of foreign exchange rate changes	4	5
Cash and cash equivalents at the beginning of the period	2,855	3,858
Cash and cash equivalents at the end of the period	2,719	5,437



THANK YOU

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OBRIGADO БЛАГОДАРЯ GRAZIE GRACIAS

