

2015/16 Q2 Results

Lenovo®



+ Forward Looking Statement

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Faced Double Challenges

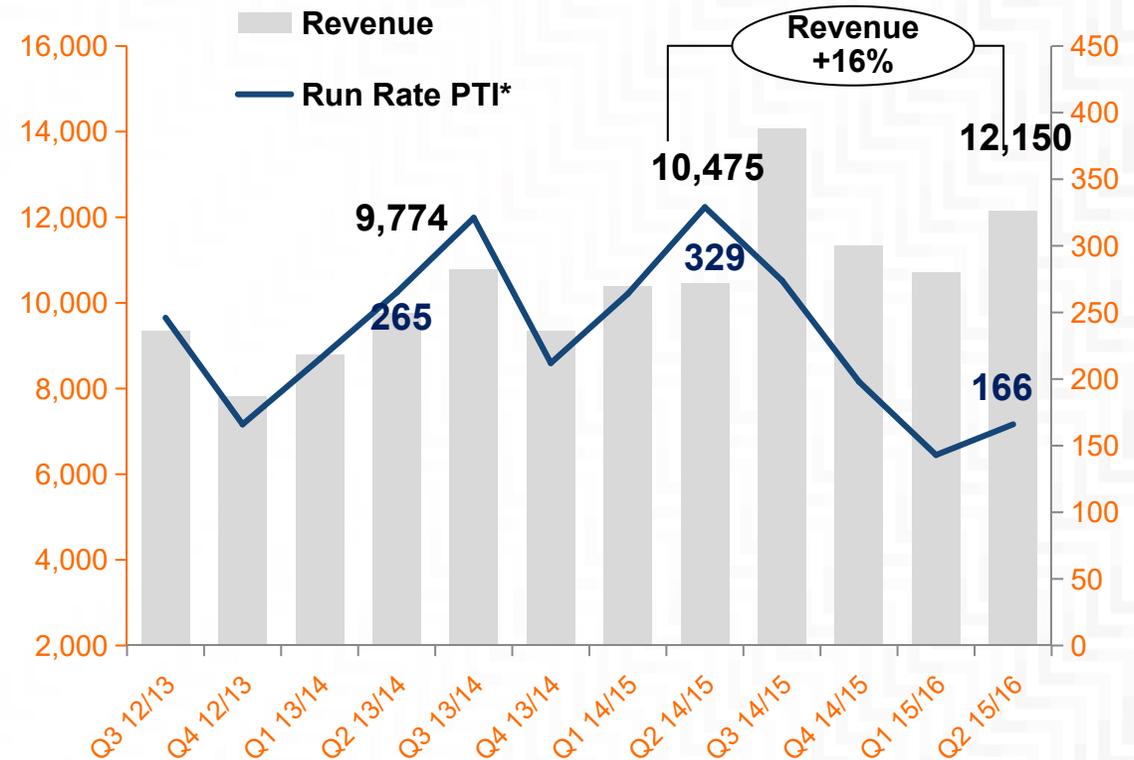
- Integrating two major acquisitions
- Tough market:
 - Slower global growth
 - Currency fluctuations in some key Markets
 - Declining PC/Tablet demand



+ Strong Performance in Challenging Market

- Revenue up **16%** YTY to **\$12.2B**; up **23%** YTY excluding currency impact
- Run Rate PTI was **\$166M***, -49.5% YTY, up **16%** QTQ

Revenue and Run Rate PTI (in \$M)



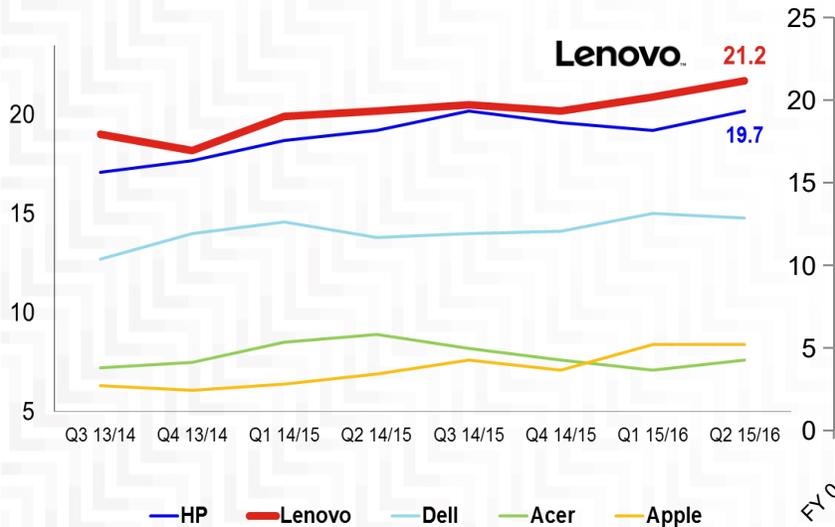
Source: Internal Data

**Before restructuring and one time charges as well as non-cash M&A related accounting charges*

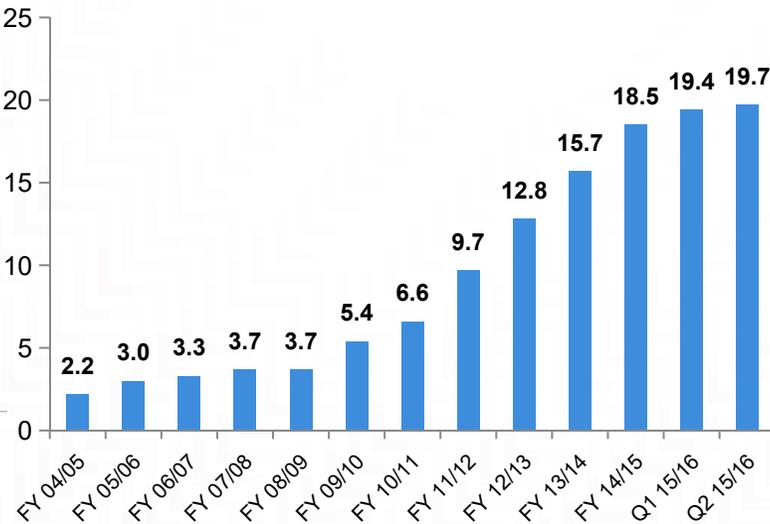
+ Strong Performance in Challenging Market

- **PC: Record** worldwide share with strong margins
 - Record share in North America, Asia Pacific and Latin America
 - Worldwide Consumer record share, almost **20%**
- **Tablet:** Outgrew market by almost **14 points**, achieved **record share**

WW PC Market Share (%)

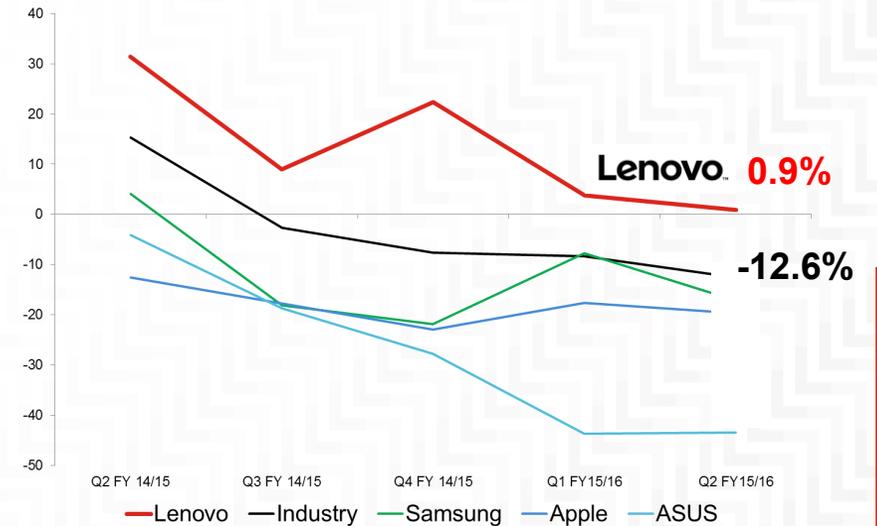


WW Consumer PC Market Share (%)



Source: IDC

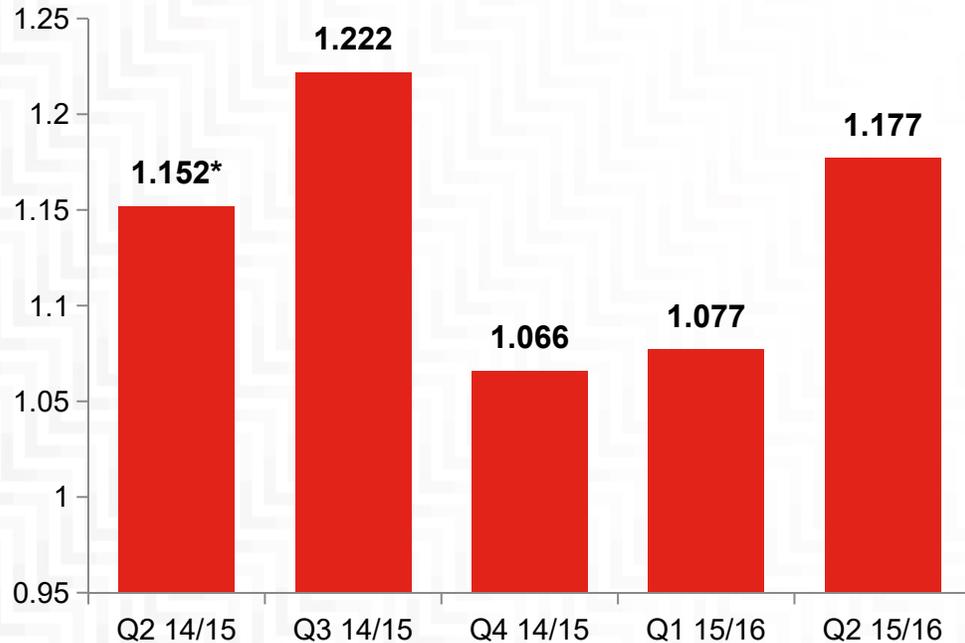
WW Tablet YTY Growth (%)



+ Strong Performance in Challenging Market

- **Enterprise:** Reached important milestone
 - Revenue **increased** on comparable basis YTY for first time since acquisition
 - Revenue **up 9% QTQ** indicates business stabilized, entered attack mode
 - China revenue up **213%** YTY
 - Fourth straight quarter of operational **profit**

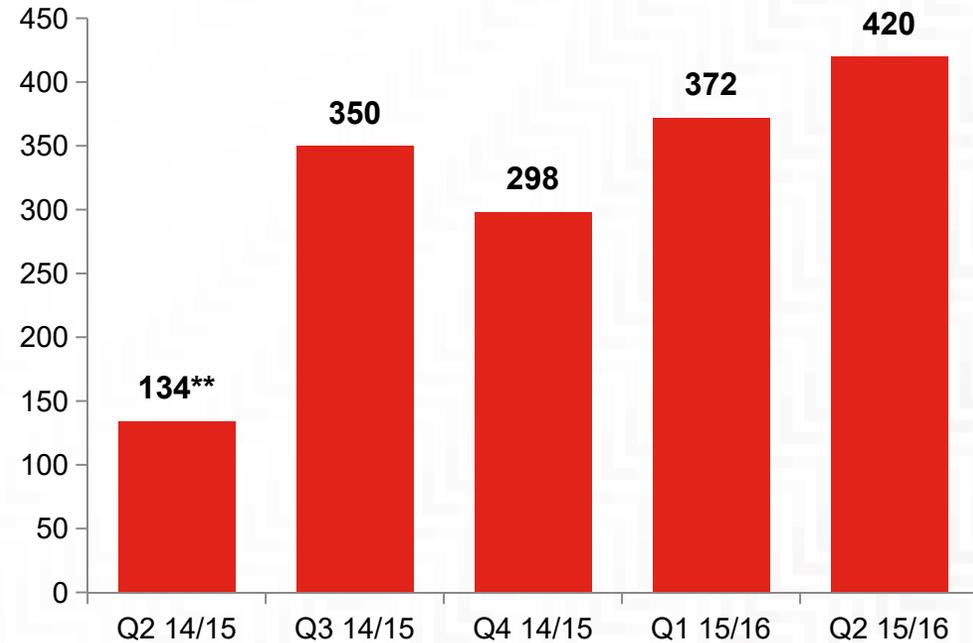
Enterprise Revenue (\$Billion)



*Q2 14/15 includes System x and Lenovo Revenue

Source: Internal Data

China EBG Revenue (\$Million)



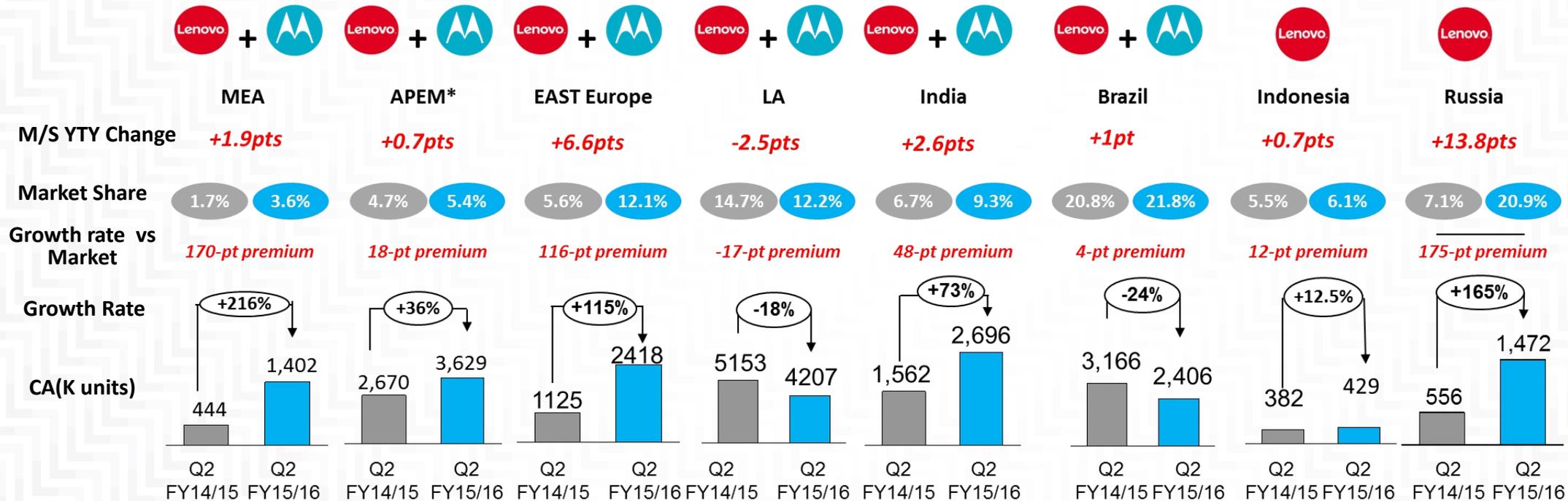
**Q2 14/15 includes only Lenovo China EBG Revenue

+ Strong Performance in Challenging Market

• Mobile: Grew volume **11% YTY**

- Strategy to **shift growth focus** to outside China continued to pay off
 - First half of fiscal year, Rest of World 70% of volume vs 19% last year
 - Outgrew market in key countries like India, Indonesia, Russia
- PTI Margin improved almost **6 points** QTQ

Growth and Share in Key Emerging Markets



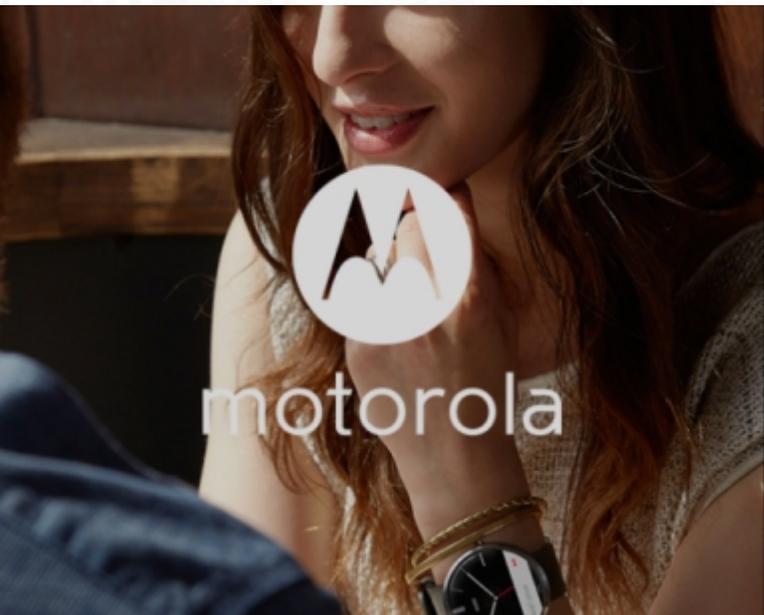
Source: IDC, Internal Data; All numbers on pro forma basis

* Includes ASEAN, India

+ Actions Behind Solid Performance

One organization, one team

- Finished integration of System x
- Finished organization, brand realignment with Motorola Mobility



+ Actions Behind Solid Performance

Executed restructuring plan

- Full year run rate savings: \$1.35B
- Estimated savings for 2H: \$650M

+ Actions Behind Solid Performance

Fixing Mobile Business

- On track cleaning up aged inventory
- Streamlined product portfolio
- Launched competitive new products
- Development cycle ensures competitive products in every season



+ Actions Behind Solid Performance

Launched New Products

 CNNMoney @CNNMoney

.@Motorola says its Droid's screen is unbreakable—so @samuelcnn put it to the test cnmmon.ie/1LX9di9



Lenovo Vibe S1



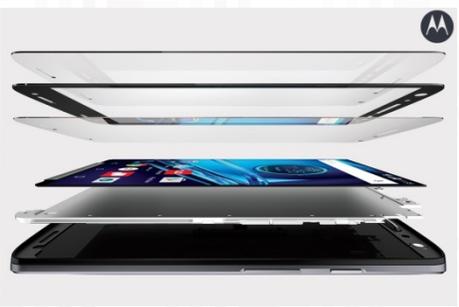
Lenovo Vibe P1



Moto X Style Moto X Play Moto G



Moto 360



Moto X Force



Yoga 4 Pro



IdeaPad Miix 700



Yoga Tab 3 Pro

+ Actions Behind Solid Performance

Attack Enterprise

- Traditional IT
 - Attack traditional competitors
- Hyperscale
 - China achievements solid foundation for stronger competitiveness
- Hyperconverged
 - Partnership with Nutanix
 - More announcements soon
- Storage
 - Strengthen relationship with IBM



NUTANIX®

IBM®

+ Confident About Our Future

- Enter new era of strong growth
- Not overnight efforts
- We **will deliver** on commitments:
 - PCs: **30%** market share with strong margin
 - Enterprise: **\$5** billion annual business, enter attack mode
 - Mobile: Turn business around in **1-2** quarters and start to pursue profitable growth



+ Q2FY16 Financial Highlights

- **Group revenue of US\$12.2B, up 16% YTY**
- **Group run rate PTI* was US\$166M, up 16% QTQ and down 50% YTY**
 - Restructuring & one-time charges were US\$923M
 - Non-cash M&A-related accounting charges, such as intangible asset amortization, imputed interest expense of promissory notes and others were US\$85M
- **Group loss before taxation of US\$842M and Group loss attributable to equity holders of US\$714M**

*: Run rate PTI: PTI excluding restructuring & one-time charges and non-cash M&A-related accounting charges

+ Q2 Financial Summary – As Reported

US\$ Million	Q2 FY2015/16*	Q2 FY2014/15	Y/Y%	Q/Q%	Interim FY2015/16*	Y/Y%
Revenue	12,150	10,475	16%	13%	22,866	10%
Gross Profit	1,575	1,457	8%	-4%	3,222	15%
Operating Expenses	(2,359)	(1,092)	116%	52%	(3,910)	82%
Operating (Loss) / Profit	(784)	365	NA	NA	(688)	NA
Other Non-Operating Expenses - Net	(58)	(36)	60%	34%	(102)	60%
Pre-tax (Loss)/Income	(842)	329	NA	NA	(790)	NA
Taxation	125	(57)	NA	151%	175	NA
(Loss)/ Profit for the period	(717)	272	NA	NA	(615)	NA
Non-controlling interests	3	(10)	NA	-14%	6	NA
(Loss) / Profit attributable to Equity Holders	(714)	262	NA	NA	(609)	NA
EPS (US cents)						
- Basic	(6.43)	2.52	(8.95)	(7.38)	(5.49)	(10.07)
- Diluted	(6.43)	2.49	(8.92)	(7.37)	(5.49)	(10.01)
	Q2 FY2015/16*	Q2 FY2014/15	Q1 FY2015/16			
Gross margin	13.0%	13.9%	15.4%			
E/R ratio	19.4%	10.4%	14.5%			
Operating margin	-6.5%	3.5%	0.9%			
PTI margin	-6.9%	3.1%	0.5%			
Net margin attributable to Equity Holders	-5.9%	2.5%	1.0%			

* Including restructuring and one-time charges of total of \$923M in Q2

+ Management Analysis on Run Rate Financial Performance

* Excluding restructuring and one-time charges of total of \$923M in Q2

US\$ Million	Q2 FY2015/16	Q2 FY2014/15	Y/Y	Q1 FY2015/16	Q/Q
Revenue	12,284	10,475	17%	10,716	15%
Gross Profit	1,709	1,457	17%	1,647	4%
Operating Expenses [#]	(1,570)	(1,092)	44%	(1,551)	1%
Operating Profit [#]	139	365	-62%	96	45%
Other Non-Operating Expenses	(58)	(36)	60%	(44)	34%
Pre-tax Income [#]	81	329	-75%	52	56%
Non-Cash M&A Related Accounting Charges	85	-	NA	91	-7%
Run Rate PTI	166	329	-50%	143	16%

	Q2 FY2015/16	Q2 FY2014/15	Q1 FY2015/16
Gross margin	13.9%	13.9%	15.4%
E/R ratio [#]	12.8%	10.4%	14.5%
Operating margin [#]	1.1%	3.5%	0.9%
PTI margin [#]	0.7%	3.1%	0.5%

Note: # line items included the impacts of non-cash M&A-related accounting charges of about \$85M in Q2 and \$91M in Q1 of FY16

+ Summary : “PTI (As Reported) ” Vs “Run Rate PTI”

	Q2 FY15/16	Q2 FY14/15	Q1FY15/16
Pre-tax (Loss)/Income (As-Reported)	(842)	329	52
• Restructuring Costs and One-time Items	923	-	-
PTI Before restructuring and one-time items	81	329	52
• Non-Cash M&A Related Accounting Charges	85	-	91
Run Rate PTI	166	329	143
• Tax	125	(57)	50
• Non-Controlling Interests	3	(10)	3
• Restructuring Costs and One-time Items	(923)	-	-
• Non-Cash M&A Related Accounting Charges	(85)	-	(91)
Net (Loss)/Income (As-Reported)	(714)	262	105

+ Condensed Balance Sheet

US\$ Million

	As at Sep 30, 2015	As at Jun 30, 2015
Non-current assets	11,912	11,797
Property, plant and equipment	1,306	1,482
Intangible assets	9,026	8,942
Others	1,580	1,373
Current assets	15,412	14,901
Bank deposits and cash	2,953	2,893
Trade, notes and other receivables	9,569	8,947
Inventories	2,721	2,864
Others	169	197
Current liabilities	18,108	16,175
Borrowings	574	913
Trade, notes, other payables and provisions	16,627	14,381
Others	907	881
Net current liabilities	2,696	1,274
Non-current liabilities	6,206	6,445
Total equity	3,010	4,078

+ Cash and Working Capital

US\$ Million	Q2 FY2015/16	Q2 FY2014/15	Q1 FY2015/16
Bank deposits and cash	2,953	5,323	2,893
Total Bank Borrowings	3,093	2,089	3,441
Net (Debt)/Cash Reserves	-140	3,234	-548
Net cash generated from/ (used in) operating activities	909	218	-310
Days Inventory	25	30	32
Days Receivable	35	34	42
Days Payable	61	69	69
Cash Conversion Cycle	-1 days	-5 days	5 days

+ Q2FY16 Performance by Business Group

PC

- Record WW share at 21.2%, up 1.5pts YTY
- Market premium at 7pt (-4.6% vs. mkt: -11.1% YTY)
- Record share in AP (19.3%, +3.2pt), NA (13.3%, +2.6pt YTY) & LA (15.3%, +2.4pt YTY);
- Rev declined by 7% YTY due to FX impacts on EMEA & Brazil demand
- PTI margin stabled QTQ at 5.0%

Enterprise

- Revenue up 5.5x YTY including of System X; 1st time proforma Rev achieved YTY growth
- Strong ThinkServer revenue growth (+42% YTY) and stabilizing System X business
- Won deals with key datacenter clients e.g. Alibaba and Baidu
- Operational profit for 4th quarter

Mobile

- Mobile regained momentum with revenue up 27% QTQ (doubled YTY including Motorola) driven by Moto and ROW biz
- Smartphones shipments up 11% YTY to 18.8M
- WW SP share improved 0.6pts QTQ to 5.3% & increase to #4; ROW SP share increased 1.3pts QTQ to 5.8%
- New product launch gaining good traction
- Tablet maintained WW #3, shipments grew 25% QTQ to 3.1M (+0.9% YTY, vs. mkt: -12.6% YTY), share up 0.8pts to 6.3%
- Mobile margin continued to improve QTQ

Excluding restructuring costs & one-time charges	Revenue US\$ Million			Segment Pretax Income/ (Loss) US\$ Million			Segment Pretax Income Margin (%)		
	Q2 FY16	Y/Y#	Q/Q	Q2 FY16	Q2 FY15#	Q1 FY16	Q2 FY16	Q2 FY15#	Q1 FY16
PC	8,143	(566)	861	406	488	368	5.0%	5.6%	5.1%
Enterprise	1,177	996	100	(33)	(16)	(41)	(2.8%)	(8.8%)	(3.8%)
Mobile	2,683	1,370	569	(217)	(54)	(292)	(8.1%)	(4.1%)	(13.8%)

* 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

+ Q2FY16 Performance by Geography

China

- **PC:** Stable market share and margin performance
- **Mobile:** slow market due to carrier subsidy cut & shift to online
- **Enterprise:** Rev grew 213% YTY, Strong ThinkServer shipments & won a number of key hyperscale customer accounts
- Revenue declined by 12% YTY due to lower mobile business performance

AP

- **PC:** #1 with record market share at 19.3%, up 3.2pt YTY; India grew 99% YTY & hit record-high 27.3% share
- **Mobile:** Strong smartphone shipments growth (+135%) driven by strong momentum in India and inclusion of Moto
- **Enterprise:** Leveraging Lenovo channel expertise to accelerate the business
- PTI margin at 1.1%, down 3.3pt YTY due to lower Motorola biz performance

EMEA

- **PC:** Solid #2 with market share gain (19.9%, +0.6pt YTY); #1 in EMEA cons. PC for 7 cons. Qtrs at 21.5% share
- **Mobile:** Record 4.3M smartphone shipments (+177% YTY)
- **Enterprise:** Attacking more opportunities with fully integrated team
- Revenue up by 6% YTY despite PC market softness; PTI margin at 0.7%, down 3.1pt YTY affected by PC decline & FX impact

AG (Americas)

- **PC:** Share up 2.5pt YTY to 13.8%; Record shares in NA (13.3%, +2.6pt) & LA (15.3%, +2.4pt)
- **Mobile:** Motorola new phones drove QTQ shipments improvements esp NA (NA: +39% QTQ)
- **Enterprise:** Preparing to attack and capture more enterprise customers in future
- PTI margin improved QTQ to -2.0% driven by improving Motorola performance

Excluding restructuring costs & one-time charges	Revenue US\$ Million			Segment Pretax Income/ (Loss) US\$ Million			Segment Pretax Income Margin (%)		
	Q2 FY16	Y/Y#	Q/Q	Q2 FY16	Q2 FY15#	Q1 FY16	Q2 FY16	Q2 FY15#	Q1 FY16
China	3,325	(442)	160	136	218	153	4.1%	5.8%	4.8%
AP	1,970	417	350	22	68	35	1.1%	4.4%	2.2%
EMEA	3,202	192	540	23	115	40	0.7%	3.8%	1.5%
AG	3,653	1,508	384	(73)	14	(131)	(2.0%)	0.6%	(4.0%)

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

+ Update on the restructuring and one-time charges

**Total restructuring and one-time charges booked in Q2:
\$923m**

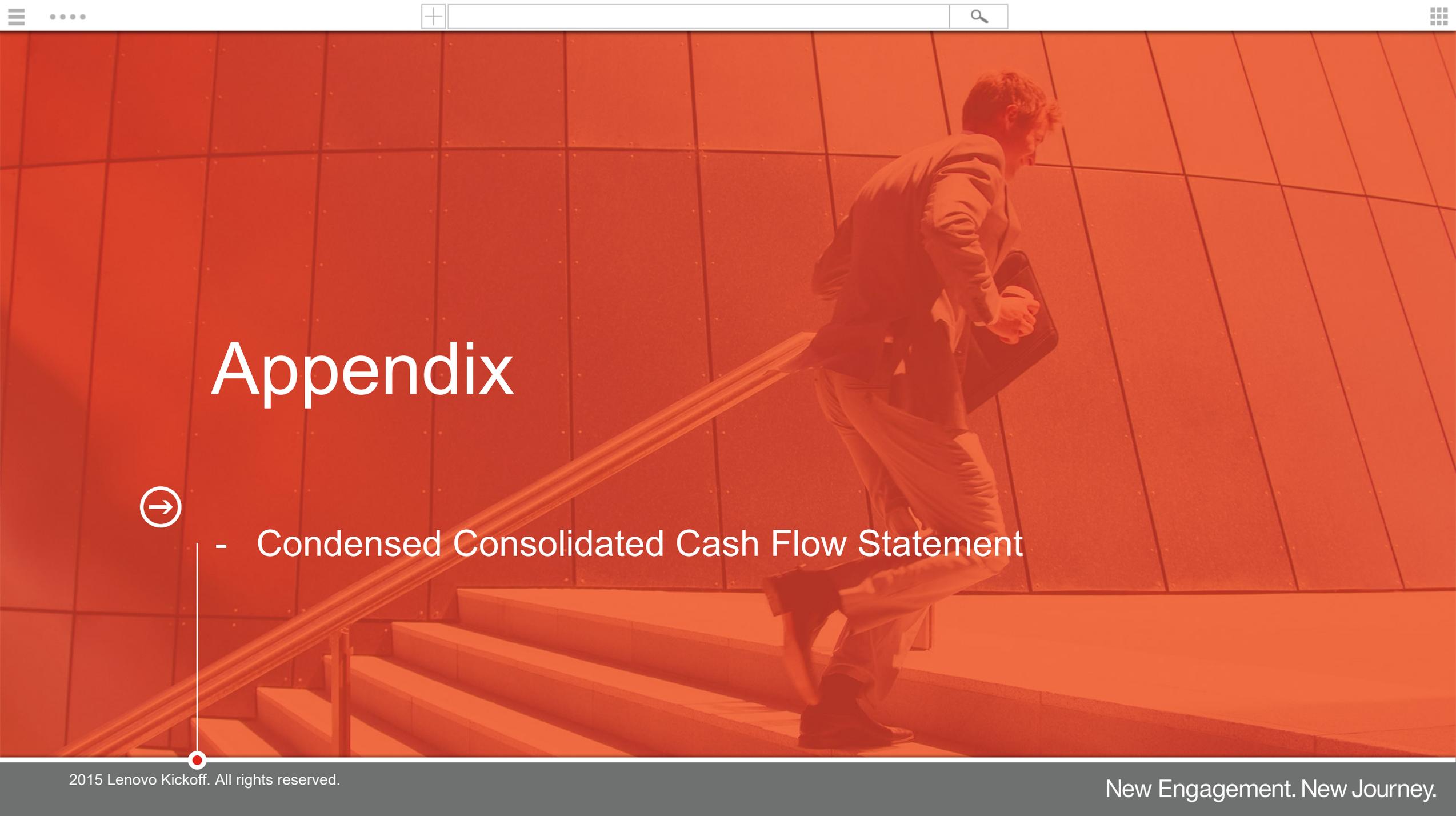
- **Restructuring cost: \$599m**
- **One-time charges for clearing smartphone inventory: \$324m**



**On Track to Realize Planned Savings to Achieve
Industry Excellence Cost Structure**

- **Full year run rate savings: \$1.35b**
- **Estimated savings for 2H: \$650m**





Appendix



- Condensed Consolidated Cash Flow Statement

+ Condensed Consolidated Cash Flow Statement

US\$ Million	Q2 FY2015/16	Q2 FY2014/15	Q1 FY2015/16
Net cash generated from/(used in) operating activities	909	218	(310)
Net cash used in investing activities	(188)	(203)	(147)
Net cash (used in)/generated from financing activities	(621)	(161)	317
Increase/(Decrease) in cash and cash equivalents	100	(146)	(140)
Effect of foreign exchange rate changes	(58)	(62)	4
Cash and cash equivalents at the beginning of the period	2,719	5,437	2,855
Cash and cash equivalents at the end of the period	2,761	5,229	2,719



THANK YOU

DAKUJEM DANK BEDANKT MERCI TAKK 謝謝
ありがとう СПАСИБО GRACIAS DZIĘKUJĘ DANKE
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