

Smarter technology for all

Investor Presentation

August 2024

Lenovo

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Transaction Overview

- The Board puts forward the ordinary resolutions including the **issuance of a US\$2bn zero coupon convertible bond to Alat and 1.15bn warrant issuance for shareholders to consider and vote** at the general meeting
 - On May 29, 2024, Lenovo announced a Strategic Business Transaction comprising an issuance of a US\$2bn zero coupon convertible bond to Alat and 1.15bn warrant issuance to existing and new independent Professional Investors. The agreement was signed on May 28, 2024
 - The Strategic Business Transaction will help Lenovo accelerate its **expansion in the MEA region**, establish a **third global supply chain center**, introduce a **new long-term strategic partner** and continue to execute on its **transformation globally**
- If the Strategic Business Transactions are approved and completed, the Board considers that the short-term fundraising needs of the Company will have been fulfilled and undertakes that the Company will **forfeit the 20% General Mandate** and will not issue any new shares under the General Mandate before the next annual general meeting

Transaction Overview (Cont'd)

Reasons and Benefits

01

Introduction of a long-term strategic partner in the shareholder base with clear strategic benefits

- Access the potential business opportunities in the KSA, in the MEA Region, and globally through Alat and the PIF's investments and affiliations

02

Geographical diversification into the MEA Region while strengthening our position in China provides growth opportunities and momentum

- Business development and manufacturing footprint expansion with enhanced market reach to capture the robust growth momentum globally and in particular, the MEA region

03

Financing instruments at favorable terms support multiple strategic initiatives

- For refinancing existing debt, supplementing general working capital purposes, expanding in the MEA Region and supporting strategic initiatives
- The Bond Issue will not cause any dilution in the first 3 years
- Annual interest savings of ~US\$110 mm⁽¹⁾ from the Strategic Business Transactions without considering the proceeds from the exercise of the Warrants
- The Warrants, if exercised, will provide capital to the Company with an effective issuance price near 20-year high share price

Note: 1) compared to likely 5%-6% coupon for a USD bond.

Transaction Overview (Cont'd)

Reasons and Benefits

04

Incremental financial flexibility enables strategic transformation and early market penetration

- Additional revenue growth opportunities in a new region
- Greater financial flexibility to pursue incremental strategic investments in AI and R&D
- Flexibility to pursue inorganic growth opportunities to facilitate Lenovo's on-going strategic transformation

05

The Strategic Business Transactions as a whole present the best structure available to the Company

- Has considered other financing alternatives thoroughly and thoughtfully determined that the proposals in their entirety comprise the best alternative
- Fully supported by the board of directors

06

Strong support from chairman with personal financial commitment demonstrates confidence in the long-term prospects of the Company

- Chairman's subscription of 19.1% of the Warrants at historical high effective issue price represents a vote of confidence in the Lenovo's ongoing transformation, global market leadership, and growth momentum
- Aligns the interests between the Shareholders and the Company management

Long-term Win-win Partnership with Alat

Alat, a wholly owned subsidiary of PIF ⁽¹⁾, is a long-term strategic investor with US\$100 billion of capital to assist investee companies to grow globally. Alat is partnering with technology leaders across the world to transform industries while establishing world class businesses in the KSA, powered by clean energy.

Introduce Long-term Strategic Partner



- **Long-term strategic partner** to accelerate growth in MEA and rest of the world
- **Enhance Lenovo's access** to Alat and PIF's investments and affiliations, and **create synergies**
- Augment the **diverse experience of the board of Lenovo**

Enhanced Access to MEA Market



- Continued **growing ICT market in the KSA (US\$47bn⁽²⁾ by 2026)** with huge potential
- Strengthen Lenovo's **market leadership** in the region with easier access to **local network**
- Long term goal target to increase revenue contribution of 2.7% from the MEA region to **10% within the next 5 years**

Diversified and Resilient Supply Chain



- **New manufacturing site in KSA, more geographic diversification**
- More resilient and agile supply chain powered by **green energy**
- Better serve the **regional and global customer base**

Note: 1) Public Investment Fund. 2) The spending on ICT in the Kingdom of Saudi Arabia in 2023 has reached US\$35bn and is projected to grow 10% annually by 2026, according to the Public Investment Fund estimates.

Attractive Structure and Pricing

Support the Company's Long-term Growth and Transformation

- **~US\$2.2 bn** from Convertible Bonds and the Warrants (without taking into account exercise of the Warrants) for **MEA regional business expansion, supply chain investments and debt refinancing**
- An extra **US\$1.8 bn** will be generated once Warrants are fully exercised, which provide Company with greater financial flexibility to pursue **strategic investments in areas including AI, R&D and potential inorganic growth**

US\$2bn Zero-coupon Convertible Bond Issuance to Alat

- **Zero coupon financing** in a high-rate environment
- Significant **annual interest savings of up to US\$100mm**
- **No dilution** for **3 years** with conversion price of HK\$10.42
 - **Premium of 10.0%** over past 30-days VWAP ⁽¹⁾
 - **Premium of 11.5%** over past 60-days VWAP ⁽¹⁾

Issuance of 1.15bn Warrants with upfront Proceeds of US\$210mm

- Chairman and CEO subscription for **19.1%** of warrants demonstrates the **confidence in Lenovo's future prospects**
 - Management Participants to subscribe up to **28.7%** of warrants
- Effective price of share issuance near 20-year share price high
 - Price per Warrants of HK\$1.43 with strike price of HK\$12.31, combined **effective price to be HK\$13.74**
 - HK\$12.31 represents a **premium of 30%** over the 30-day VWAP ⁽¹⁾
 - Warrant transfer and exercise **limited to 26.7% of total warrants size** for each year ⁽²⁾
- An interest saving of **~US\$12 million** will be incurred annually ⁽²⁾

Note: If the Bond Issue and Warrants Issuance are both completed, the Board considers that the short-term fundraising needs of the Company will have been fulfilled. In this regard, if both the Bond Issue and Warrants Issuance proceed to completion, the Board undertakes that the Company will not issue any new Shares under the General Mandate before the next annual general meeting. 1) Immediately prior to May 28, 2024, when the CB subscription agreement was entered into and board approval for warrant. 2) The transfer and exercise limit refers to 306,666,666 Warrants during each 12-month period from the date of Warrants Issuance. Total number of warrants is 1.15 millions.

Convertible Bond – Key Terms Overview

Parties	(i) Lenovo, as issuer (ii) Alat, as subscriber
Principal Amount	US\$2,000,000,000
Maturity Date	3 years from issuance of the Convertible Bonds (subject to extension of three months pursuant to the Terms and Conditions)
Issue price	100% of the aggregate principal amount of the Convertible Bonds
Interest rate	Interest free
Conversion period	The conversion right attaching to the Convertible Bonds can be exercised at the option of the holder of the Convertible Bonds by way of a conversion notice to the Company at least 15 calendar days prior to the CB Maturity Date . Upon the exercise of the conversion right, conversion of the Convertible Bonds shall take place on the CB Maturity Date
Conversion Price	Initial Conversion Price of HK\$10.42 per Share represents: (i) a discount of ~13.5% over the closing price of HK\$12.04 per Share on May 27, 2024, being the trading day immediately prior to the date of the Bond Subscription Agreement; (ii) a discount of ~2.8% over the average closing price of HK\$10.72 per Share for the last 10 consecutive trading days ⁽²⁾ (iii) a premium of ~10.0% over the average VWAP of HK\$9.47 per Share for the last 30 consecutive trading days ⁽²⁾ (iv) a premium of ~11.5% over the average VWAP of HK\$9.35 per Share for the last 60 consecutive trading days ⁽²⁾ (v) a premium of ~7.6% over the closing price of HK\$9.68 per Share as of August 16, 2024 (vi) a premium of ~172.1% over the net asset value of HK\$3.83 per Share as of March 31, 2024
Governance⁽¹⁾	Alat shall have the right to nominate one candidate as a non-executive director of the Company if (i) not less than 50% of the principal amount of the Convertible Bonds remain outstanding or (ii) Alat and its affiliates hold at least 5% of the total number of Shares issued and outstanding
Use of Proceeds	(i) To repay existing debts of the Company: ~US\$1.7bn (ii) For working capital purposes: ~US\$280mm

Key Highlights

US\$2bn from single long-term strategic investor

Zero coupon for 3 years

No dilution for 3 years, conversion price 10.0% and 11.5% premium to 30-day and 60-day VWAP, respectively

Alat will have nomination right for 1 board seat as non-executive director

Note: 1) As part of the strategic collaboration with Alat. 2) Immediately prior to May 28 when subscription agreement was entered into.

Warrants – Key Terms Overview

Number of Warrants Issuable	1,150,000,000
Issue Price	HK\$1.43 per Warrant, which is equal to 15.1% of the reference price, being HK\$9.47, which is the average VWAP per Share for the last 30 consecutive trading days immediately prior to May 28, 2024 (being the date on which the Board approved the indicative principal terms of the proposed Warrants Issuance)
Exercise Period	3 years from issuance of the Warrants (if the CB Maturity Date is extended, the Warrants Last Exercise Date will be automatically extended by a fixed period of three months to align with the CB Maturity Date)
Exercise Rights	Each Warrant is exercisable for one Share at an initial exercise price of HK\$12.31 (subject to customary adjustment)
Exercise Price	Initial Conversion Price of HK\$12.31 per Share represents: <ul style="list-style-type: none"> (i) a premium of ~2.2% over the closing price of HK\$12.04 per Share on May 27, 2024, being the trading day immediately prior to the date of the Board Approval; (ii) a premium of ~14.8% over the average closing price of approximately HK\$10.72 per Share for the last 10 consecutive trading days ⁽¹⁾ (iii) a premium of ~30.0% over the average VWAP of HK\$9.47 per Share for the last 30 consecutive trading days ⁽¹⁾ (iv) a premium of ~9.7% over the closing price of HK\$11.22 per Share on July 12, 2024 ⁽²⁾ (v) a premium of ~27.2% over the closing price of HK\$9.68 per Share as of August 16, 2024 (vi) a premium of ~221.5% over the net asset value of HK\$3.83 per Share as of March 31, 2024
Rights of Warrants holders	The holders of Warrants will not have any right to attend or vote at any shareholders meeting of the Company by virtue of them being holders of the Warrants. Before exercise of the subscription right, the holders of Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company
Rights and Ranking of Warrant Shares	The Warrant Shares, when issued and fully paid, will rank equally in all respects among themselves and with all other Shares in issue as at the respective dates of allotment and issue of the Warrant Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company with a record date falling on or after the respective dates of allotment and issue of the Warrant Shares
Undertakings by the holders of the Warrants ⁽⁴⁾	if any of the Warrants Subscribers wishes to exercise the exercise rights in relation to any or all of their respective Warrants or sell or otherwise dispose of any or all of its Warrants, such Warrants Subscribers shall first offer their respective ROFR Warrants to LHL by written notice. Upon receipt of a ROFR Notice, LHL may within five business days purchase part or all of the ROFR Warrants If LHL does not purchase the ROFR Warrants, such Warrants Subscribers may (i) sell or otherwise dispose such ROFR Warrants on the same terms as set forth in the ROFR Notice and such ROFR Warrants so transferred will not be subject to the undertakings given by the Warrants Subscribers, or (ii) exercise the exercise rights in relation to the ROFR Warrants and in respect of the Warrant Shares which are retained by the Warrants Subscribers after the exercise, the holder of the Warrant Shares shall notify LHL five business days prior to disposal of the Warrant Shares and shall act in concert with LHL on matters relating to the Company which require shareholders' approval until such holder ceases to hold any interest in such Warrant Shares

Key Highlights

Chairman and CEO subscription for 19.1% of warrants endorsing Lenovo's future prospects

Warrants provide US\$210mm proceeds with additional capital of US\$1.8bn if fully exercised

Breakeven at above HK\$13.74⁽³⁾ per share (near 20-year share price high)

Warrant transfer and exercise limited to 26.7% of total warrants size for each year ⁽⁵⁾

Note: 1) Immediately prior to May 28 when the Board approved the warrants. 2) immediately prior to July 15, 2024 (being the date of the Warrants Subscription Agreement). 3) Sum of the initial conversion price of HK\$12.31 and issue price of HK\$1.43. 4) for further details of undertakings to be given by holders of the Warrants, please refer to the circular of the Company dated August 19, 2024. There are various other undertakings that subscribers will be giving. 5) The transfer and exercise limit refers to 306,666,666 Warrants during each 12-month period from the date of Warrants Issuance. Total number of warrants is 1.15 millions.

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thanks.