lenovo

IBM
x86 Server Business

- A US$34 billion global technology company

- #1 PC player in the world

- Innovative products from PC to PC+

- Excellence in supply chain management and operational efficiency

+

- Top 3 x86 server player globally with revenue of US$4.7 billion in 2013

- Comprehensive and competitive portfolio of server products: racks, towers, high-density and converged systems, plus related networking products and maintenance services

- Established leadership in key growth markets, including Brazil, China, India and Russia

- **Gain immediate scale & credibility in the server market and become a global top 3 x86 server provider**

- **Significant growth opportunities in the enterprise hardware systems space**

Transaction Summary

Structure

- Lenovo acquires IBM's x86 server hardware business, including:
  - All of IBM's x86 server product lines (including tower, rack, high-density and blade)
  - All Blade Networking Technology assets
  - Solutions and converged systems tied to x86
  - Maintenance services business associated with the above products
- Additional strategic relationships with IBM including resale of attached storage products

Consideration

- Purchase price of US$2.3 billion, subject to closing adjustments
  - US$2.07 billion in cash
  - Approximately $230 million in Lenovo shares (182 million shares)

Approvals Required

- Approvals required include CFIUS and Antitrust Improvements Act of 1976 in the US; Canada Competition Act in Canada; the European Commission and MOFCOM in the PRC

Closing

- Initial close will include US, Canada and China, upon which Lenovo will pay the full consideration and take control of the acquired business
  - Expected timing: by 3Q FY2014/15

Acquiring an End-to-End Global Enterprise Hardware Business

- IBM's x86 server business delivers important assets and capabilities:

  - Comprehensive and competitive portfolio of x86 server products, with related system networking products (embedded and top-of-rack switches)
  - Maintenance services business, providing best-in-class technical assistance and customer support
  - World-class R&D, product design and engineering expertise with proven track record
  - Strong distribution channels and deep customer relationships
  - Trusted premium product brands and experienced sales and marketing team

- This is a unique and unmatched acquisition opportunity for Lenovo to gain a foothold in the enterprise hardware market with a global, end-to-end business

Global Footprint with Facilities and Business Operations on Four Continents

Americas	EMEA	China and Asia Pacific

HQ: Raleigh, NC, USA
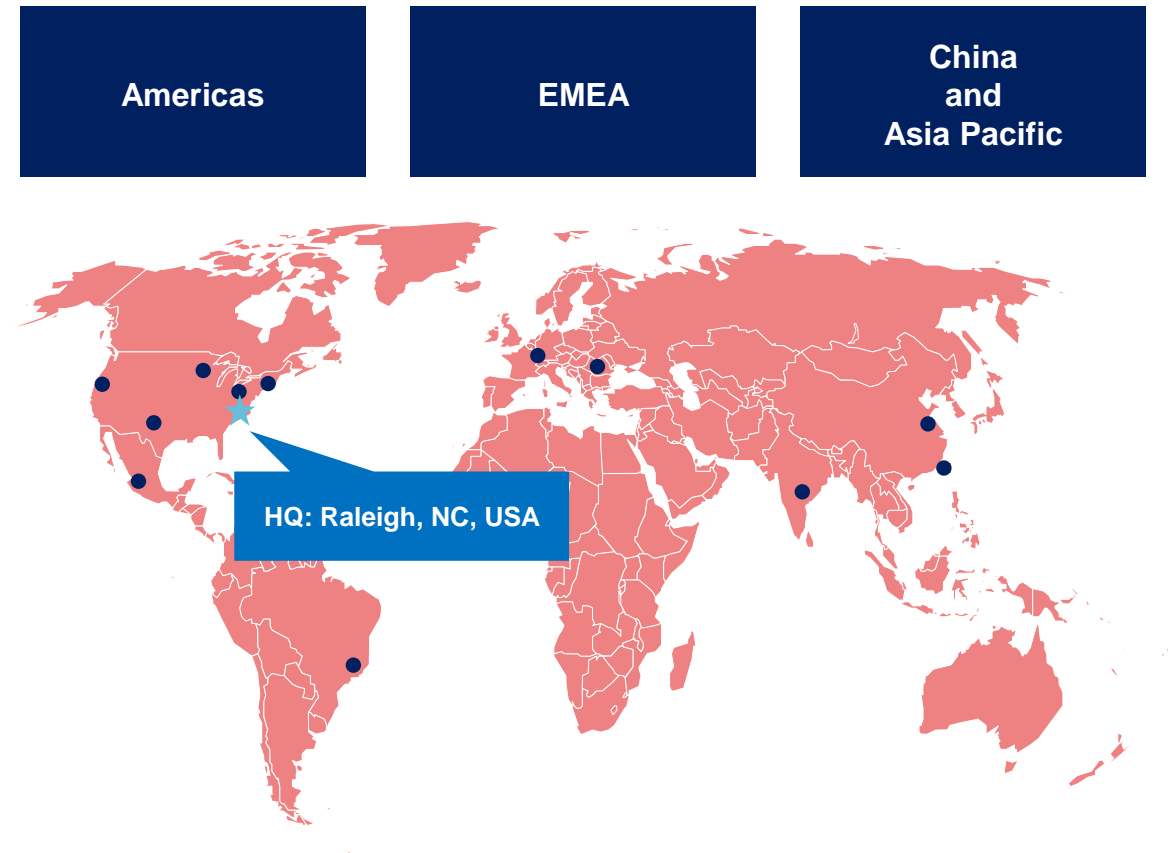
Attacking an Attractive Market Segment to Create New Profit Pools

- x86 server market is expected to grow at ~4% revenue CAGR

  - Growth expected to be led by density servers (~11% revenue CAGR) followed by racks (~4% CAGR) and blades (~3% CAGR)
  - China is expected to account for ~20% of global x86 volume in 2017

- Lenovo is well-positioned to expand meaningfully in the x86 server market
  - The acquisition catapults Lenovo's global market share in x86 servers to approximately 14% (#3 globally)
  - With the increased scale and leveraging the strength in operational execution and presence in key emerging markets, Lenovo is well-positioned to capture future growth
  - Furthermore, significant overlap exists between the supply chain, channel partners and distribution network of PCs and those of x86 servers. As the world's top PC vendor, Lenovo is poised to fully realize the scale benefits

x86 Server Market Forecast (Value in US$bn)

'13 – '17 CAGR: 4%

Year	Value
2013	39.5
2014	41.3
2015	43.0
2016	44.4
2017	45.5
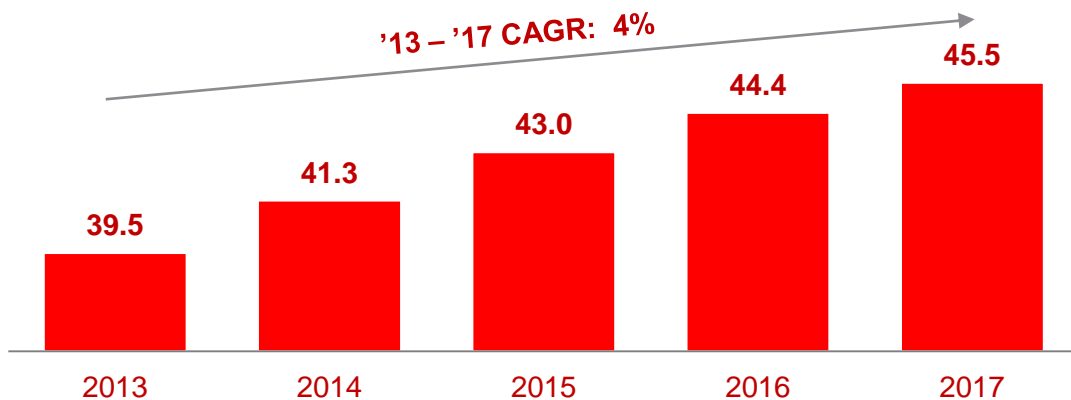
Global x86 Server Market Share by Value

	9M2013		Pro Forma 9M2013
HP	30.9%	HP	30.9%
Dell	22.1%	Dell	22.1%
IBM	12.9%	Pro forma Lenovo + IBM*	13.9%
Cisco	5.8%	Cisco	5.8%
Fujitsu	3.3%	Fujitsu	3.3%
Lenovo	1.0%		

Source: IDC
* Post acquisition of IBM low-end server business

Tapping Value Creation Opportunities

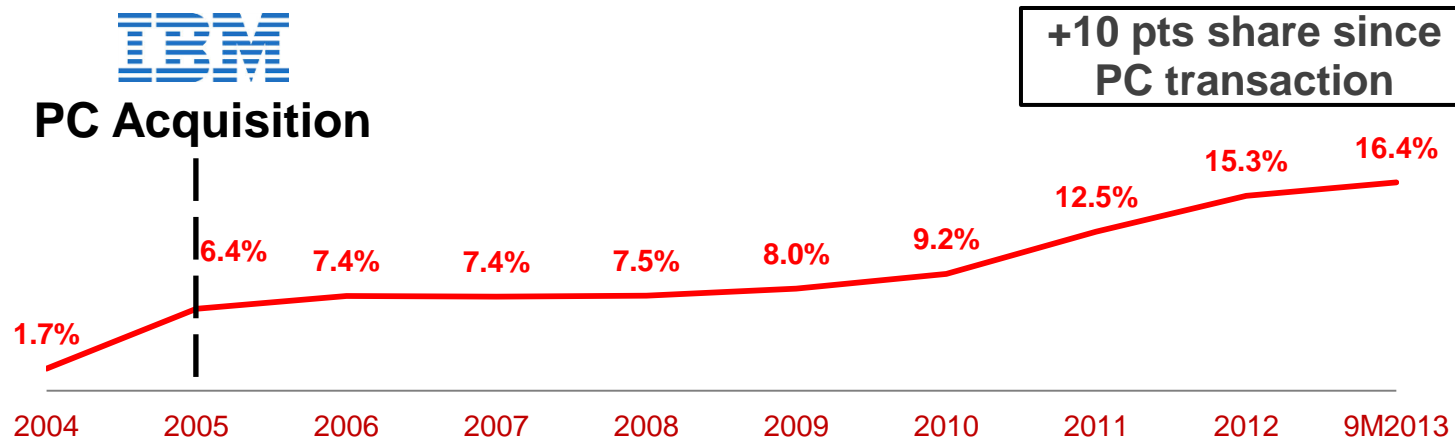We will build on the existing strengths of both Lenovo and the acquired business, and further enhance the value of the acquisition by:

- Leveraging meaningful footprint in emerging markets and strong channel relationships

- Achieving cost savings in supply chain management through economies of scale and sharing of best practices

- Driving cost reduction and expense management initiatives

- Capitalizing on the significant investments that have already been made in the development of next-generation products, which allow Lenovo to focus on operational execution to reap future profits
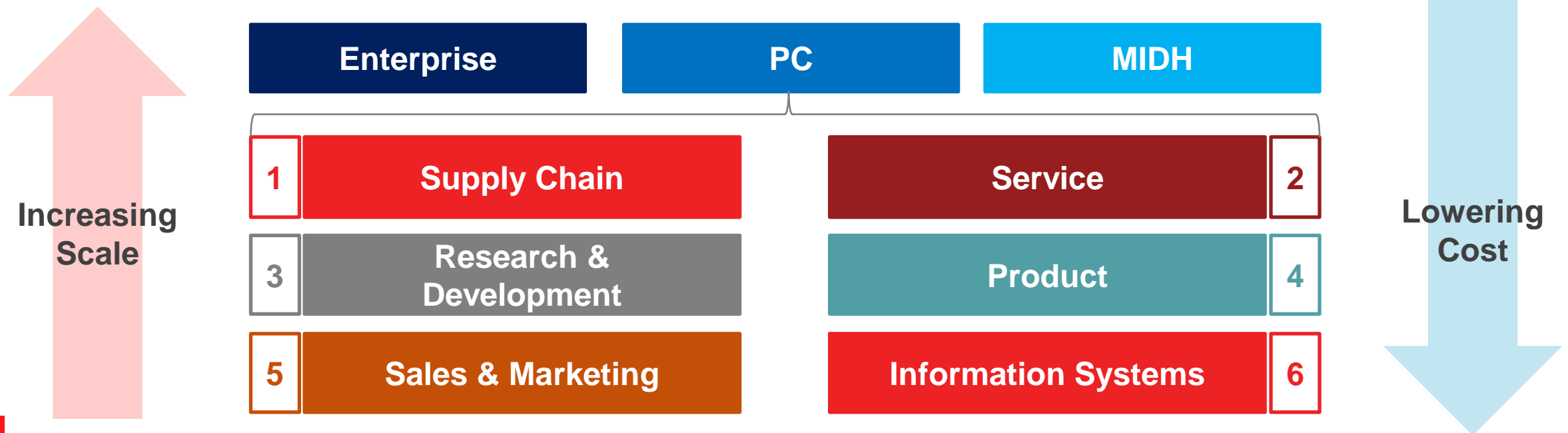
| Enterprise	PC	MIDH

Increasing Scale

1	**Supply Chain**	**Service**	2
3	**Research & Development**	**Product**	4
5	**Sales & Marketing**	**Information Systems**	6

Lowering Cost

Lenovo Global PC Market Share By Value

PC Acquisition

+10 pts share since PC transaction

- 1.7% (2004)
- 6.4% (2005)
- 7.4% (2006)
- 7.4% (2007)
- 7.5% (2008)
- 8.0% (2009)
- 9.2% (2010)
- 12.5% (2011)
- 15.3% (2012)
- 16.4% (9M2013)

Lenovo Global x86 Server Market Share By Value

x86 Server Acquisition

- 0.3% (2004)
- 0.3% (2005)
- 0.3% (2006)
- 0.3% (2007)
- 0.4% (2008)
- 0.5% (2009)
- 0.5% (2010)
- 0.7% (2011)
- 0.9% (2012)
- 1.0% (9M2013)
- 13.9%* (2014…)

- Long term relationship with IBM, dating back to the PC transaction in 2004
  - Lenovo successfully grew its PC market share from 6% to become the global PC market leader, with improvement in operations and turnaround in profitability
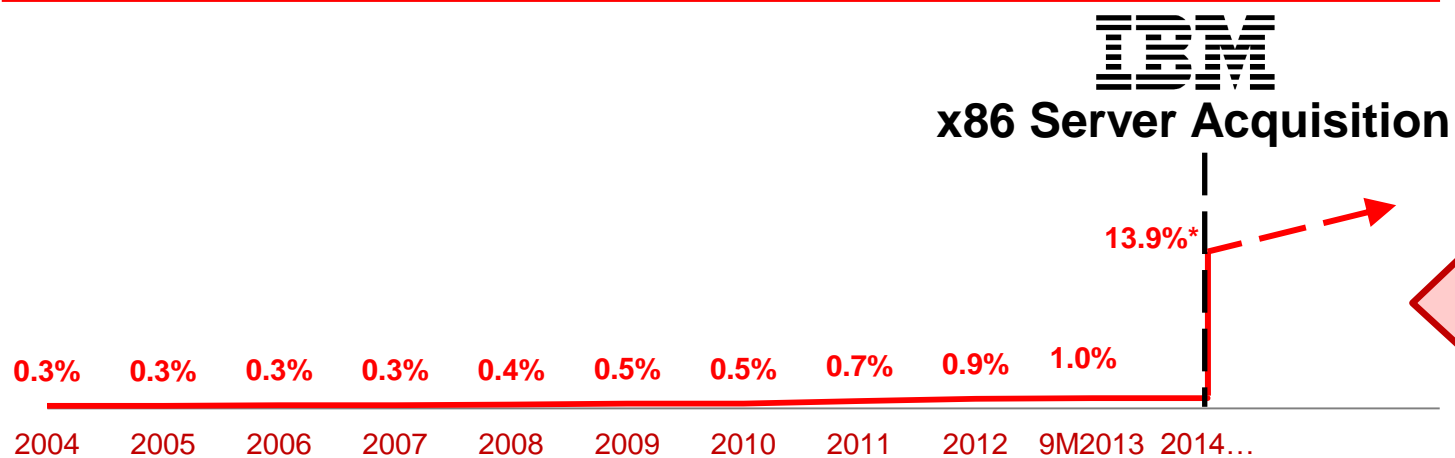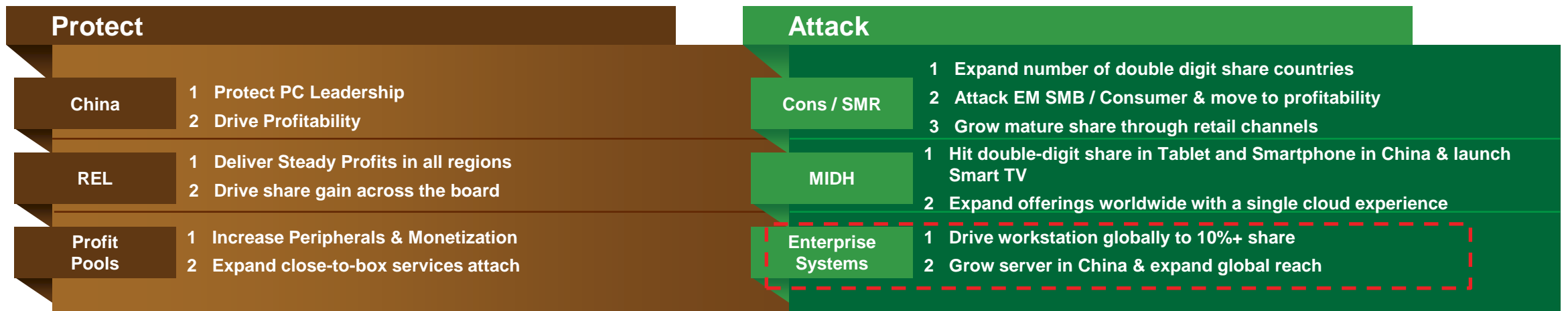
- Comprehensive and competitive server portfolio provides opportunity for Lenovo to re-create success achieved in the PC transaction

- Lenovo's experience in post-merger transition and integration of an IBM business will be leveraged to ensure smoothness and stability

- Significant additional partnership opportunities with IBM beyond servers (storage, networking, software and services)

Source: IDC
* Pro forma Lenovo + IBM 9M2013 market share

Keeping Our Strategic Objectives in Focus

- Aligned with "Protect and Attack" strategy
- Boosts Lenovo's enterprise systems strategy with expanded global reach
- Enables Lenovo to capture significant growth opportunity in the server market and attack other enterprise segments

Protect

| China | 1 Protect PC Leadership |
| | 2 Drive Profitability |

| REL | 1 Deliver Steady Profits in all regions |
| | 2 Drive share gain across the board |

| Profit Pools | 1 Increase Peripherals & Monetization |
| | 2 Expand close-to-box services attach |

Attack

Cons / SMR	1 Expand number of double digit share countries
	2 Attack EM SMB / Consumer & move to profitability
	3 Grow mature share through retail channels

| MIDH | 1 Hit double-digit share in Tablet and Smartphone in China & launch Smart TV |
| | 2 Expand offerings worldwide with a single cloud experience |

| Enterprise Systems | 1 Drive workstation globally to 10%+ share |
| | 2 Grow server in China & expand global reach |

Innovation Leadership

Product Offerings & User Experience | Global Branding | Quality Focus | Business Model

Operational Effectiveness

Build Efficient Consumer Business Model | Improve E2E Speed | Focus on Customer Voice | LSS Focus

Global Culture

Meet Commitments / Take Ownership | Build a World Class Organization

lenovo + **IBM**

x86 Server Business

- Immediate scale and credibility in the server market as a top 3 global x86 server provider
  - #1 PC company in the world
  - Top 3 x86 server player globally
  - Strong growing smart phone and tablets business
- Innovative and highly complementary products from PC to PC+
- Significant growth opportunities in the enterprise hardware systems space

Appendix

Comprehensive portfolio uniquely addresses a broad range of client needs

* indicates some elements to be OEMed from IBM

Scale Up Computing

x3850
Business Critical
4 and 8 socket

x3690
Memory Dense
2 socket

x3650
Business Critical
2 socket

Flex System
- Chassis: Enterprise
- x86 compute nodes: x220, x222, x240, x440
- Flex System Manager
- Integrated networking

SAP
Offerings*

x3750
Value 4 socket

x3500
Business
Critical 2 socket

x3630
Value 2 socket

BladeCenter
Chassis: S, E, H, HT
Servers: HS12, HS23E, HS23, HX5

Intelligent
Cluster *

x3300
Value 2 socket

BladeCenter
Switches

x3100
Entry 1 socket

x3550
Business Critical 2
socket

NeXtScale
N1200 enclosure
and nx360 M4 server

GPFS
Storage
Server *

Software
- Flex System Manager
- Systems Director
- Networking, Virtualization
- Fabric Manager
- uEFI, Firmware (IMM, AMM, CMM)
- Flash Cache software
- FastSetUp
- ToolsCenter
- Integration Modules (MS, VMWare)

Flex System
Switches

Top of Rack Switches and
Flex Interconnect Fabric

x3250
Entry 1 socket

x3530
Value 2 socket

iDataPlex
Dx360 M4

Scale Out Computing

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