



# 2014/15 Q3 Results



# 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.



# Yuanqing Yang Chairman and CEO



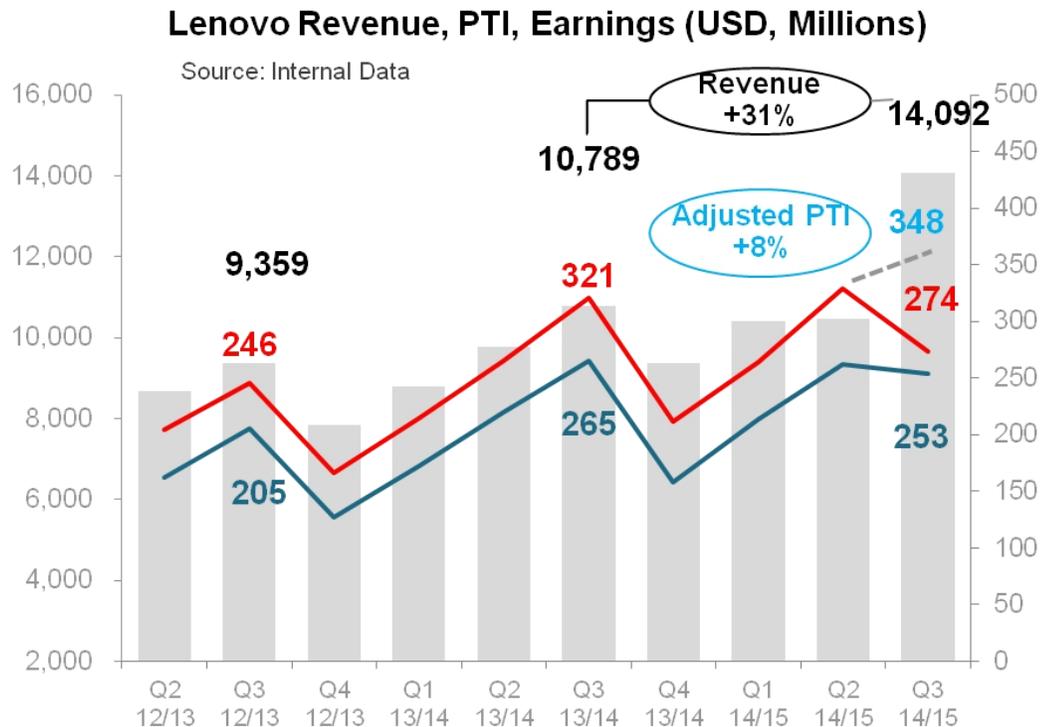
# Resetting Lenovo: Confident in our Future

- Our performance proves:
  - The right **strategy**
  - The right **targets**
  - Effective **execution**
- We are **on target** to hit our goals

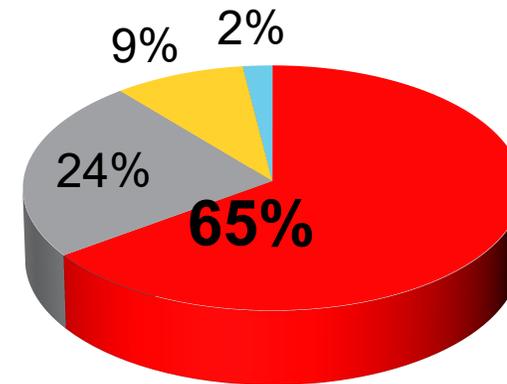


# A Strong Third Quarter, and a More Diversified Lenovo

- Revenue grew **31%** YTY
- Excluding M&A expenses, PTI up **8%** YTY to **\$348** million USD
- More **diverse** than ever



## Q3 14/15 with acquisitions

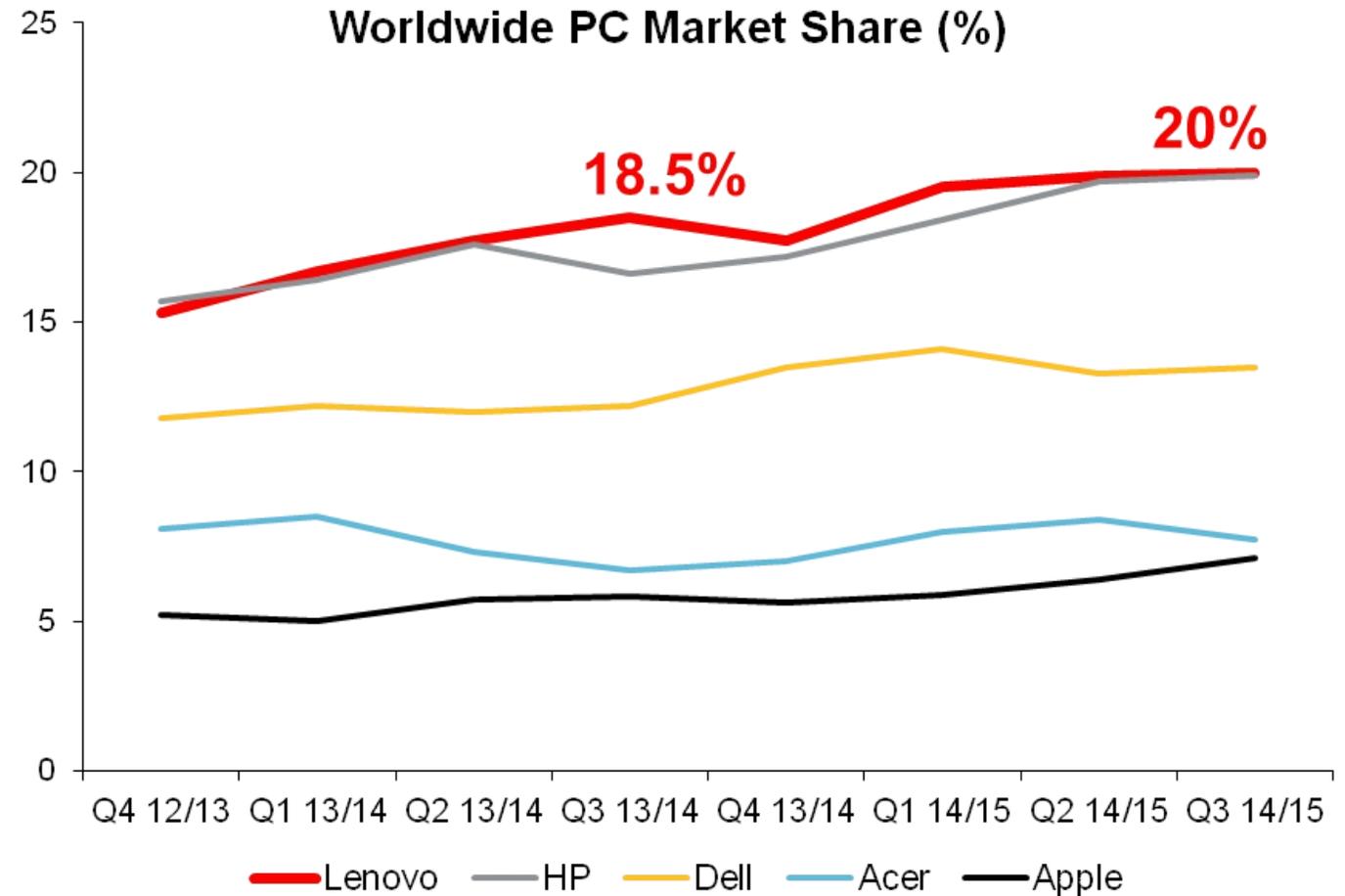


■ PC ■ Mobile ■ Enterprise ■ Others

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

# PC: Achieved Record Share, Improved Profitability

- Record high market share of **20%** with profitability up **2 points** YTY
- Next, grasp **consolidation** opportunity, expand in US, AP consumer to gain share
- Confident we will achieve **3-year profitability improvement** target



# Mobile: Strong #3, a Truly Global Player, and Ready to Grow in China

- Motorola is already a strength: Record **10.6 million units**, improving profitability, coming back to China!
- Lenovo is now a true global player: Nearly **60% SP volume** outside China – in almost **70 countries**
- China: We will keep **fighting full force:** Expand online business, transform offline, leverage Moto
- Tablets: **Grew share**, esp. in EMEA, and excited market with innovation



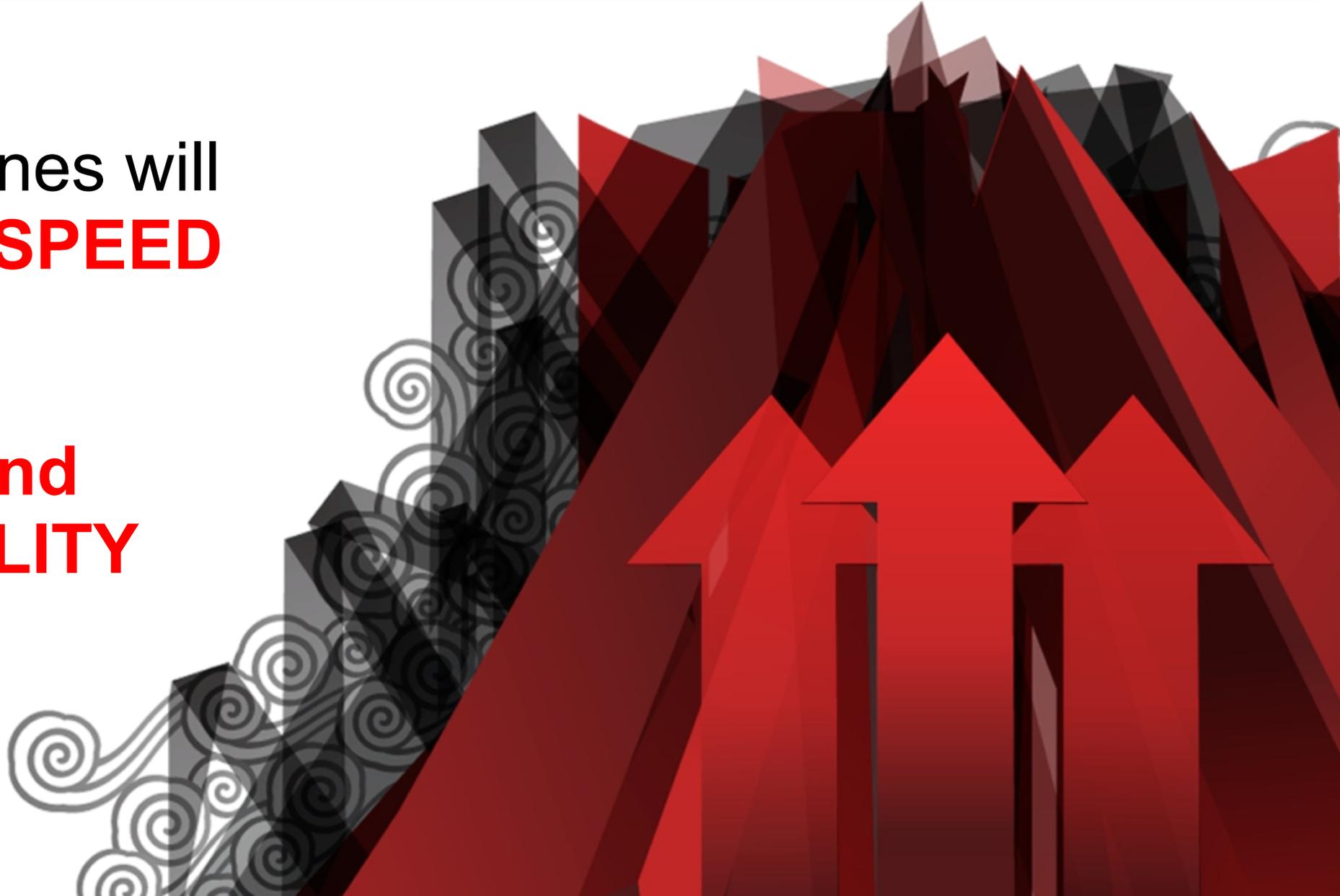
# Enterprise: Positioned for Global Growth

- ThinkServer business strong
- Overall x86: **#3 WW**, and **#1 in China**
- On target to achieve **\$5 billion** revenue, good margin in one year





- Growth engines will be at **FULL SPEED**
- Will deliver **GROWTH and PROFITABILITY**





Wong Wai Ming  
Chief Financial Officer



# Q3FY15 Financial Highlights

- **Group revenue of US\$14.1B, up 31% YTY, includes a full quarter of System X and 2 months of Motorola performances**
- **Group PTI before non-cash M&A-related accounting charges was US\$348M, up 8% YTY**
  - Non-cash M&A-related accounting charges, such as intangible asset amortization, imputed interest expense of promissory notes and others were US\$74M
- **Group PTI of US\$274M and Group net income of US\$253M**
- **Group Net Income before non-cash M&A related accounting charges was US\$327M, up 23% YTY**
- **On continuous track to profitability improvement commitment**

# Financial Summary

| US\$ Million                          | Q3 FY2014/15 | Q3 FY2013/14 | Y/Y%   | Q/Q%   | YTD FY2014/15 | Y/Y% |
|---------------------------------------|--------------|--------------|--------|--------|---------------|------|
| Revenue                               | 14,092       | 10,789       | 31%    | 35%    | 34,962        | 19%  |
| Gross Profit                          | 2,097        | 1,363        | 54%    | 44%    | 4,903         | 28%  |
| Operating Expenses                    | (1,772)      | (1,029)      | 72%    | 62%    | (3,922)       | 31%  |
| Operating Profit                      | 325          | 334          | -3%    | -11%   | 981           | 20%  |
| Other Non-Operating Expenses          | (51)         | (13)         | 287%   | 39%    | (114)         | 526% |
| Pre-tax Income                        | 274          | 321          | -15%   | -17%   | 867           | 8%   |
| Taxation                              | (17)         | (56)         | -69%   | -70%   | (127)         | -16% |
| Profit for the period                 | 257          | 265          | -3%    | -6%    | 740           | 14%  |
| Non-controlling interests             | (4)          | 0            | 1557%  | -63%   | (11)          | NA   |
| Profit attributable to Equity Holders | 253          | 265          | -5%    | -3%    | 729           | 11%  |
| EPS (US cents)                        |              |              |        |        |               |      |
| - Basic                               | 2.32         | 2.56         | (0.24) | (0.20) | 6.90          | 0.55 |
| - Diluted                             | 2.30         | 2.52         | (0.22) | (0.19) | 6.82          | 0.55 |

|   | Q3 FY2014/15 | Q3 FY2013/14 | Q2 FY2014/15 |
|---|--------------|--------------|--------------|
| Gross margin                              | 14.9%        | 12.6%        | 13.9%        |
| E/R ratio                                 | 12.6%        | 9.5%         | 10.4%        |
| Operating margin                          | 2.3%         | 3.1%         | 3.5%         |
| PTI margin                                | 1.9%         | 3.0%         | 3.1%         |
| Net margin attributable to Equity Holders | 1.8%         | 2.5%         | 2.5%         |

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

|   | FY14/15 Q3 | FY13/14 Q3 | Change      |
|---|------------|------------|-------------|
| <b>Accounting Operating Profit (As-Reported)</b>              | <b>325</b> | <b>334</b> | <b>-3%</b>  |
| - Other Non-Operating Expenses                                | -51        | -13        | +287%       |
| <b>Profit Before Tax (As-Reported)</b>                        | <b>274</b> | <b>321</b> | <b>-15%</b> |
| + Non-Cash M&A Related Accounting Charges                     | 74         | --         | NA          |
| <b>PTI Before Non-Cash M&amp;A Related Accounting Charges</b> | <b>348</b> | <b>321</b> | <b>+8%</b>  |
| - Tax   | -17        | -56        | -69%        |
| - Non-Controlling Interests                                   | -4         | --         | +1557%      |
| - Non-Cash M&A Related Accounting Charges                     | -74        | --         | NA          |
| <b>Net Income (As-Reported)</b>                               | <b>253</b> | <b>265</b> | <b>-5%</b>  |

# Condensed Balance Sheet

US\$ Million

|   | As at<br>Dec 31, 2014 | As at<br>Sep 30, 2014 |
|---|-----------------------|-----------------------|
| <b>Non-current assets</b>                   | <b>11,434</b>         | 5,243                 |
| Property, plant and equipment               | 1,494                 | 723                   |
| Intangible assets                           | 8,850                 | 3,434                 |
| Others                                      | 1,090                 | 1,086                 |
| <b>Current assets</b>                       | <b>17,813</b>         | 16,360                |
| Bank deposits and cash                      | 3,991                 | 5,323                 |
| Trade, notes and other receivables          | 10,344                | 7,854                 |
| Inventories                                 | 3,174                 | 2,964                 |
| Others                                      | 304                   | 219                   |
| <b>Current liabilities</b>                  | <b>19,152</b>         | 14,765                |
| Short-term bank loans                       | 827                   | 195                   |
| Trade, notes, other payables and provisions | 17,294                | 13,970                |
| Others                                      | 1,031                 | 600                   |
| <b>Net current (liabilities) / assets</b>   | <b>(1,339)</b>        | 1,595                 |
| <b>Non-current liabilities</b>              | <b>5,870</b>          | 3,752                 |
| <b>Total equity</b>                         | <b>4,225</b>          | 3,086                 |

# Cash and Working Capital

US\$ Million

Bank deposits and cash

Total Bank Borrowings

Net Cash Reserves

Net cash generated from operating activities

Days Inventory

Days Receivable

Days Payable

Cash Conversion Cycle

Q3 FY2014/15

Q3 FY2013/14

Q2 FY2014/15

3,991

2,719

1,271

738

25

34

61

-2 days

3,820

456

3,364

1,010

26

35

63

-2 days

5,323

2,089

3,234

218

30

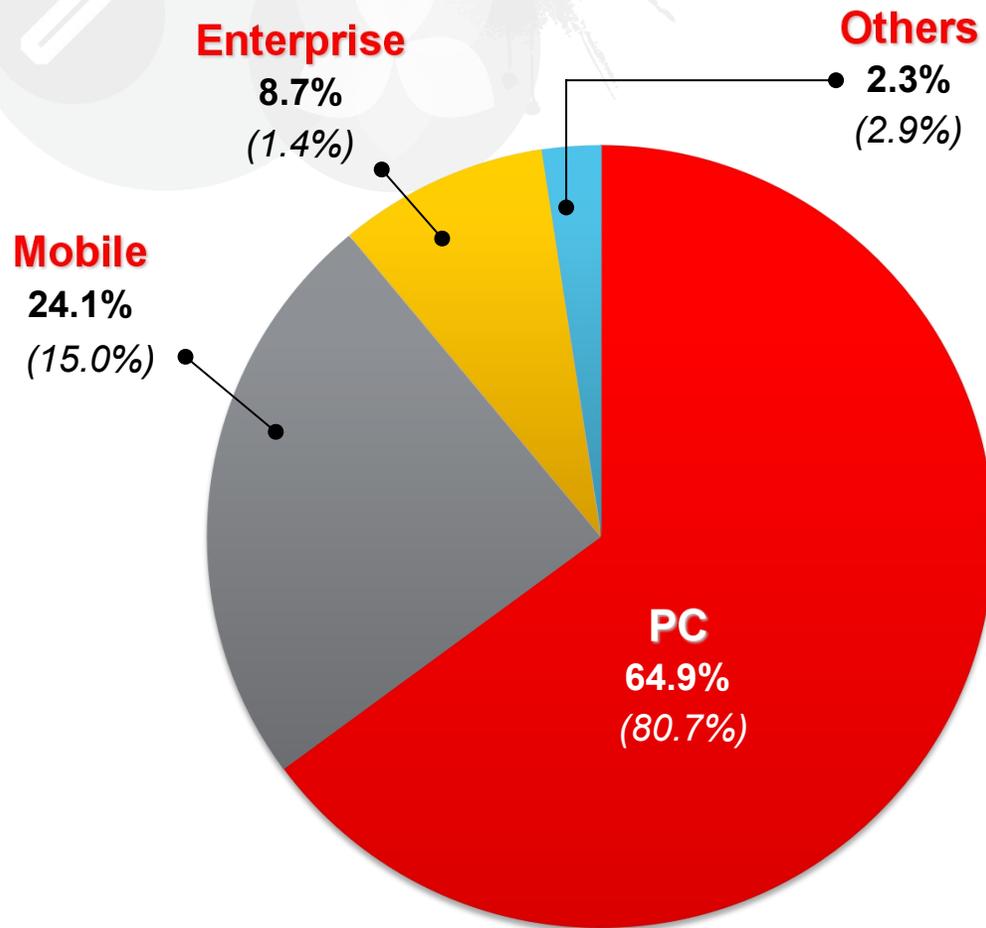
34

69

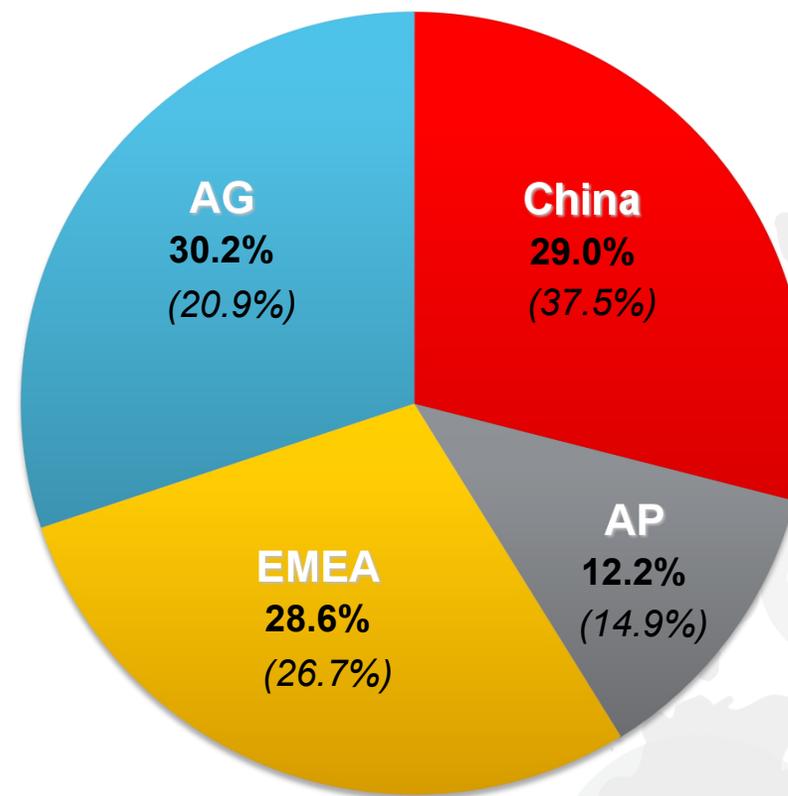
-5 days

# Revenue Mix Analysis

## Q3 FY15 Revenue by Business Group



## Q3 FY15 Revenue by Geography



# Q3FY15 Performance By Business Group

## PC

- PC shipments up 4.9%;
- Record high WW share at 20.0%, up 1.5 pts YTY
- Profit growth with share gains in all geos, despite challenges in Brazil
- PC revenue up 5% YTY
- Record high PC PTI at US\$494M

## Mobile

- Motorola showed strong growth, shipments doubled YTY
- Combined phone shipments up 78%; WW share at 6.6%, up 1.8 pts YTY
- Tablet shipments up 9%; fastest growing among top 5, WW share at 4.8%, up 0.5pts YTY
- Mobile Revenue up 109% YTY
- Mobile PTI recorded loss of US\$89M

## Enterprise

- Strong growth of Think Server business
- Combined server shipments up 2.5x YTY
- Enterprise revenue up 685% YTY
- Enterprise PTI recorded loss of US\$42M

|            | Revenue<br>US\$ Million |            | Pretax Income / (Loss)<br>US\$ Million |            | Pretax Income Margin |            |
|------------|-------------------------|------------|--|------------|----------------------|------------|
|            | Q3<br>FY15              | Q3<br>FY14 | Q3<br>FY15                             | Q3<br>FY14 | Q3<br>FY15           | Q3<br>FY14 |
| PC         | 9,147                   | 8,701      | 494                                    | 298        | 5.4%                 | 3.4%       |
| Mobile     | 3,390                   | 1,620      | (89)                                   | (2)        | -2.6%                | -0.1%      |
| Enterprise | 1,222                   | 156        | (42)                                   | (14)       | -3.4%                | -9.3%      |

# Q3FY15 Geography Summary

## China

- Protected profit pool and improved China overall margin by 0.3pts YTY to 5.7%
- **PC:** Record high market share at 38.2%
- **Mobile:** Reintroducing Motorola in China, aggressively expanding online channel, and coming new channels through ShenQi to enhance competitiveness for future growth
- **Enterprise:** #1 position with healthy shipments growth

## AP

- Record high operating margin at 5.4%, up 3.9pts YTY
- **PC:** Record high market share at 16.1%, up 0.2pts YTY driven by ANZ (+39% YTY) & ASEAN (+17% YTY)
- **Mobile:** Strong smartphone shipments growth driven by strong growth of Motorola
- **Enterprise:** Leveraging Lenovo channel expertise and ecosystems to accelerate the business

## EMEA

- Operating margin at 3.0%, up 1.2pts YTY; Revenue grew 40% YTY
- **PC:** Record high share of 19.6%; up 4.4 pts YTY, driven by WE, MEA
- **Mobile:** Strong smartphone shipments growth driven by strong growth by both Lenovo and Motorola
- **Enterprise:** Attacking into Europe Enterprise segment

## AG (Americas)

- Revenue grew 88% YTY
- **PC:** Market share at 11.1%, up 0.1pts YTY; Strong shipments growth for NA and LAS with margin improvements YTY
- **Mobile:** Strong smartphone shipments growth due to the inclusion of Motorola
- **Enterprise:** Preparing to attack and capture more enterprise customers in future
- Continued actions to stabilize business in Brazil

|       | Revenue<br>US\$ Million |       |       | Segment Operating Profit/ (Loss)<br>US\$ Million |            |            | Segment Operating<br>Profit Margin |            |            |
|-------|-------------------------|-------|-------|--|------------|------------|------------------------------------|------------|------------|
|       | Q3<br>FY15              | Y/Y   | Q/Q   | Q3<br>FY15                                       | Q3<br>FY14 | Q2<br>FY15 | Q3<br>FY15                         | Q3<br>FY14 | Q2<br>FY15 |
| China | 4,083                   | 38    | 317   | 233  | 218        | 218        | 5.7%                               | 5.4%       | 5.8%       |
| AP    | 1,719                   | 111   | 166   | 92   | 26         | 68         | 5.4%                               | 1.5%       | 4.4%       |
| EMEA  | 4,038                   | 1,158 | 1,027 | 122  | 51         | 115        | 3.0%                               | 1.8%       | 3.8%       |
| AG    | 4,252                   | 1,996 | 2,107 | (22)   | 0          | 14         | -0.5%                              | 0.0%       | 0.6%       |

# Appendix

- Consolidated Income Statement

- Condensed Consolidated Cash Flow Statement



# Consolidated Income Statement

| <i>US\$ Million</i>  | Q3 FY2014/15    | YTD FY2014/15   | Q3 FY2013/14 | YTD FY2013/14 |
|--|-----------------|-----------------|--------------|---------------|
| <b>Revenue</b>   | <b>14,092</b>   | <b>34,962</b>   | 10,789       | 29,350        |
| <b>Cost of sales</b>   | <b>(11,995)</b> | <b>(30,059)</b> | (9,426)      | (25,531)      |
| <b>Gross profit</b>  | <b>2,097</b>    | <b>4,903</b>    | <b>1,363</b> | <b>3,819</b>  |
| <b>Other income, net</b>   | -               | 1               | 22           | 23            |
| <b>Selling and distribution expenses</b>   | <b>(687)</b>    | <b>(1,645)</b>  | (529)        | (1,443)       |
| <b>Administrative expenses</b>   | <b>(577)</b>    | <b>(1,337)</b>  | (340)        | (1,004)       |
| <b>Research and development expenses</b>   | <b>(413)</b>    | <b>(796)</b>    | (188)        | (547)         |
| <b>Other operating expense – net</b>   | <b>(95)</b>     | <b>(145)</b>    | 6            | (28)          |
| <b>Operating profit</b>  | <b>325</b>      | <b>981</b>      | <b>334</b>   | <b>820</b>    |
| <b>Finance income</b>  | <b>6</b>        | <b>24</b>       | 6            | 25            |
| <b>Finance costs</b>   | <b>(55)</b>     | <b>(133)</b>    | (19)         | (54)          |
| <b>Share of gains of associated companies</b>                                      | <b>(2)</b>      | <b>(5)</b>      | 0            | 11            |
| <b>Profit before taxation</b>  | <b>274</b>      | <b>867</b>      | <b>321</b>   | <b>802</b>    |
| <b>Taxation</b>  | <b>(17)</b>     | <b>(127)</b>    | (56)         | (153)         |
| <b>Profit for the period</b>   | <b>257</b>      | <b>740</b>      | <b>265</b>   | <b>649</b>    |
| <b>Profit attributable to:</b>   |                 |                 |              |               |
| <b>Equity holders of the company</b>   | <b>253</b>      | <b>729</b>      | <b>265</b>   | <b>659</b>    |
| <b>Non-controlling interests</b>   | <b>4</b>        | <b>11</b>       | -            | (10)          |
| <b>Dividend</b>  | -               | 86              | -            | 80            |
| <b>Earnings per share attributable to equity holders of the Company (US cents)</b> |                 |                 |              |               |
| <b>- Basic</b>   | <b>2.32</b>     | <b>6.90</b>     | 2.56         | 6.35          |
| <b>- Diluted</b>   | <b>2.30</b>     | <b>6.82</b>     | 2.52         | 6.27          |

# Condensed Consolidated Cash Flow Statement

| <i>US\$ Million</i>                                      | Q3 2014/15 | Q3 2013/14 | Q2 2014/15 |
|--|------------|------------|------------|
| Net cash generated from operating activities             | 738        | 1,010      | 218        |
| Net cash used in investing activities                    | (2,532)    | (90)       | (203)      |
| Net cash generated from / (used in) financing activities | 471        | (73)       | (161)      |
| (Decrease)/Increase in cash and cash equivalents         | (1,323)    | 847        | (146)      |
| Effect of foreign exchange rate changes                  | (25)       | 7          | (62)       |
| Cash and cash equivalents at the beginning of the period | 5,229      | 2,870      | 5,437      |
| Cash and cash equivalents at the end of the period       | 3,881      | 3,724      | 5,229      |

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