2016/17 Q1 Earnings Announcement





































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Yuanqing Yang

Chairman and CEO







































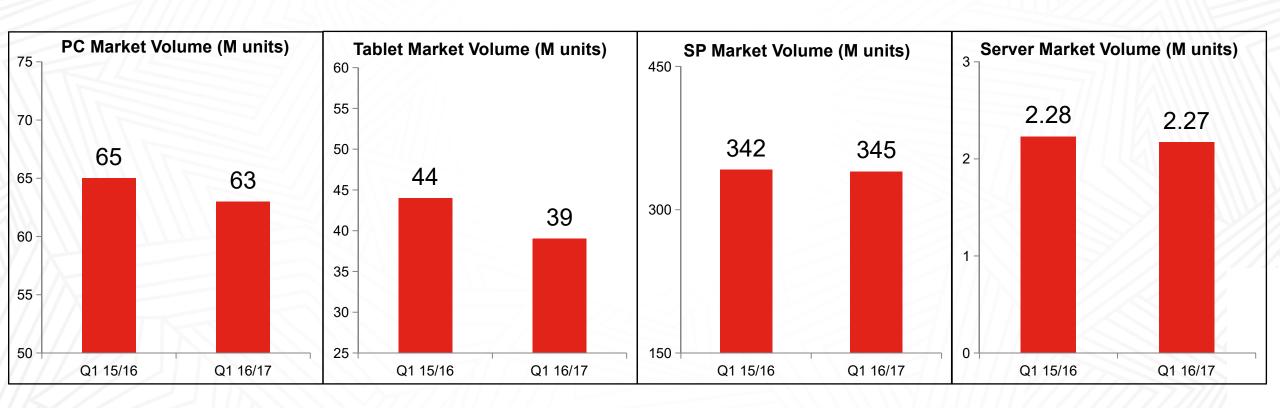






Markets Remain Challenging

- PC, Tablet markets declined; Smartphone, Server markets flat
- Currency fluctuations, especially RMB

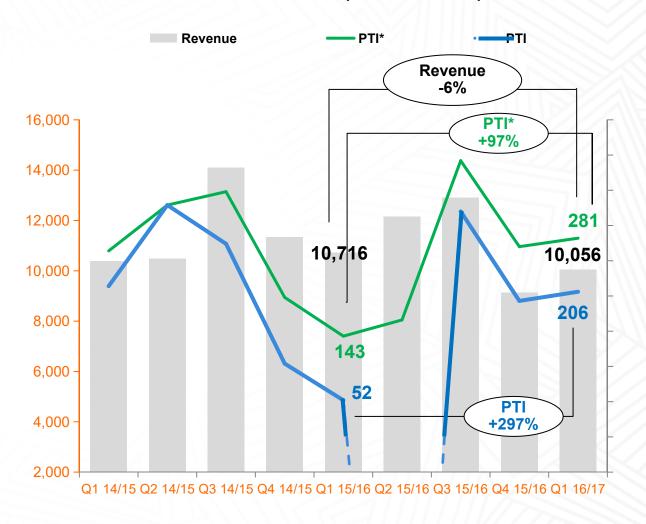


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• Q1 Group Performance

- Revenue decreased 6% YTY, or 4% excluding currency impact
- PTI up 297% YTY; excluding M&A and restructuring charges, PTI up 97% YTY

Revenue and PTI (US\$ Millions)



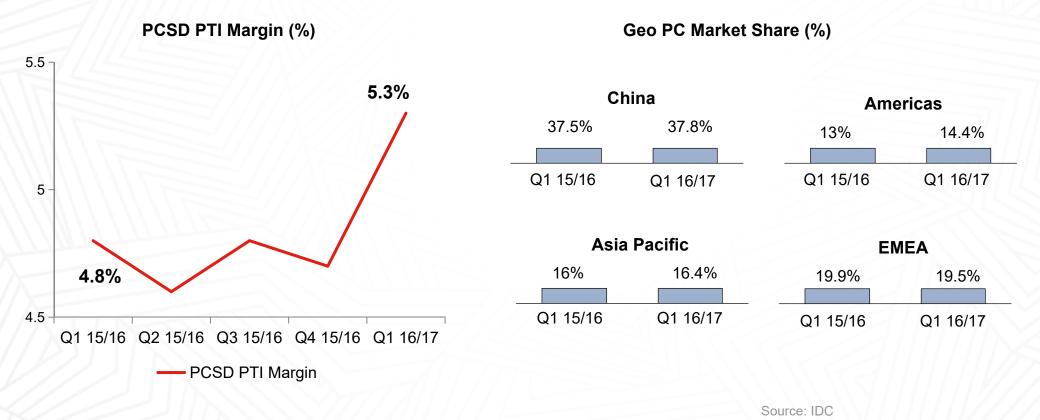
^{*} Excluding M&A and restructuring charges

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Source: Internal Data.

PCSD: Performance

- Improved PTI margins by half a point YTY
- Share and profitability improved in all Geos except EMEA

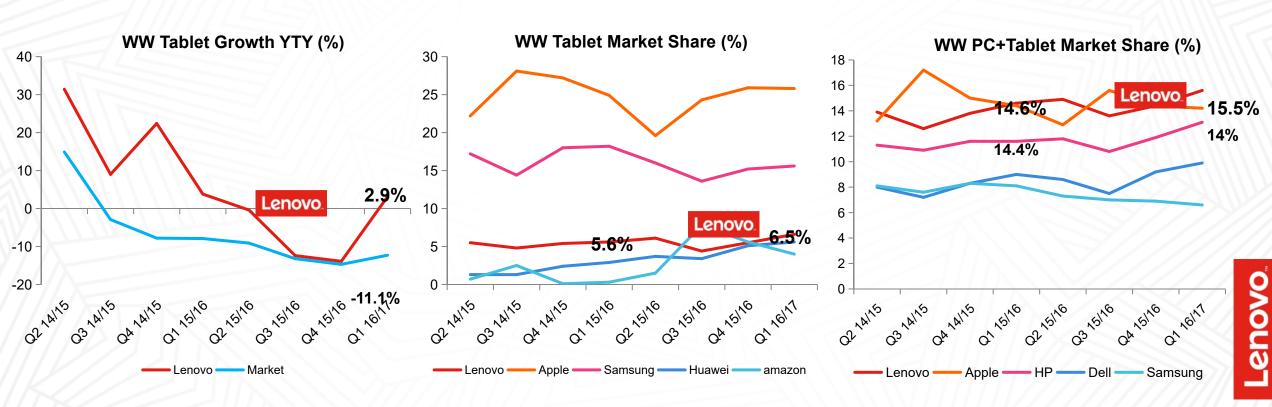


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PCSD: Performance

- Tablets: Outgrew market by 14 points, returned to #3
- PC + Tablet: Now clear #1 with 15.5% worldwide share



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PCSD: Strategies

- Leverage industry consolidation to gain share
- Focus on fast growing segments
 - Detachables, Gaming PCs, Chromebook







• Mobile: Strategies

- Integrate teams
 - Optimize cost & expenses
 - Strengthen cohesiveness, consistent culture
- Enhance product portfolio
 - Mainstream
 - Ensure competitiveness
 - New Moto G4; ZUK Z2 models
 - High end
 - Focus on Innovation
 - Moto Z and Moto Mods
- Expand channels, invest in marketing and branding





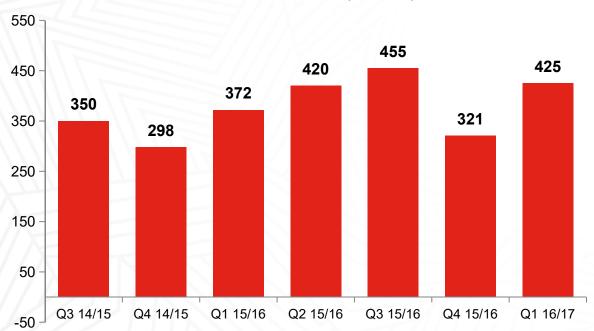
Mobile: Performance

- Business stabilizing, revenue almost flat YTY, only declining 1% excluding currency impact
- Higher ASP leading to revenue growing faster than volume, transition to higher end products working
- 3-point improvement in operating margin YTY
- Strong momentum in Asia Pacific, Eastern Europe and Latin America

DCG: Performance

- Strengthened #1 position China, grew China revenue 14% YTY
- Grew Global Accounts revenue
 45% YTY

China DCG Revenue (\$Million)



Source: Internal Data

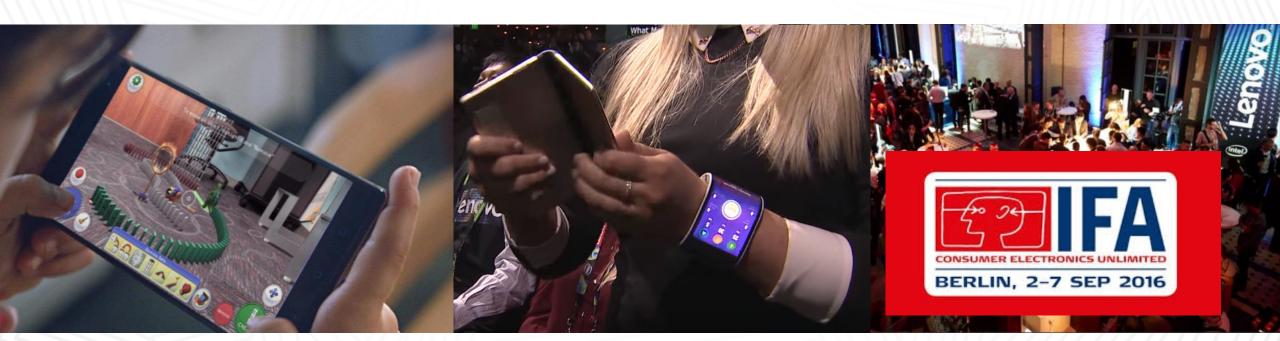
Lenovo GLOBAL ACCOUNTS UP 45% YTY

DCG: Strategies

- Strengthen sales coverage in US and EMEA
- Improve product competitiveness
- Increase attach rates of services and options
- Build capabilities in storage, networking, hypercoverged technology

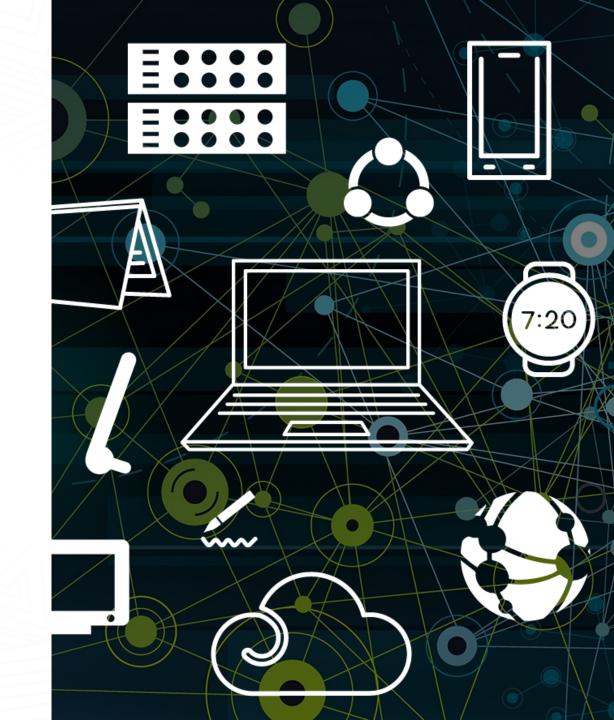


- Innovate. Disrupt.
 - At Tech World in June
 - PHAB2 Pro
 - Bendable phone and foldable tablet concepts & prototypes
 - Moto Z and Moto Mods
 - At IFA, will showcase more one-of-a-kind innovation



Device + Cloud

- Lead in IoT
- Uniquely positioned to build a balanced "Device + Cloud" model
- Will create seamless user experience at home, at work and on the go





Wong Wai Ming

Chief Financial Officer









































Financial Highlights

- Group revenue was stabilizing: US\$10.1B, up 10% QTQ; YTY decline narrowed and down by 6% YTY, or down 4% YTY excluding currency impact, driven by business transformation progress
- PTI (excluding non-cash M&A-related accounting charges) increased 97% YTY to US\$281M
- Reported PTI increased 297% YTY to US\$206M
- Net Income up 64% YTY to US\$173M

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Financial Summary

US\$ Million	Q1 FY2016/17	Q1 FY2015/16	Y/Y%	Q4 FY2015/16	Q/Q%
Revenue	10,056	10,716	-6%	9,133	10%
Gross Profit Operating Expenses	1,534	1,647	-7%	1,518	1%
	(1,289)	(1,551)	-17%	(1,270)	2%
Operating Profit Other Non-Operating Expenses – Net	245	96	157%	248	-1%
	(39)	(44)	-9%	(55)	-28%
Pre-tax Income Taxation Profit for the period Non-controlling interests Profit attributable to Equity Holders	206	52	297%	193	6%
	(38)	50	NA	(17)	121%
	168	102	65%	176	-5%
	5	3	62%	4	34%
	173	105	64%	180	-4%
EPS (US cents) - Basic - Diluted	1.57	0.95	0.62	1.63	(0.06)
	1.56	0.94	0.62	1.62	(0.06)

Gross margin
E/R ratio
Operating margin
PTI margin
Net margin attributable to Equity Holders

Q1 FY2016/17	Q1 FY2015/16	Q4 FY2015/16
15.3%	15.4%	16.6%
12.8%	14.5%	13.9%
2.4%	0.9%	2.7%
2.0%	0.5%	2.1%
1.7%	1.0%	2.0%

Condensed Balance Sheet

US\$ Million	As at	As at
	Jun 30, 2016	Mar 31, 2016
Non-current assets	11,976	11,966
Property, plant and equipment	1,344	1,391
Intangible assets	8,631	8,661
Others	2,001	1,914
Current assets	13,243	12,967
Bank deposits and cash	2,064	2,079
Trade, notes and other receivables	8,374	8,083
Inventories	2,577	2,637
Others	228	168
Current liabilities	15,750	15,760
Borrowings	741	746
Trade, notes, other payables and provisions	14,055	13,964
Others	954	1,050
Net current liabilities	(2,507)	(2,793)
Non-current liabilities	6,158	6,147
Total equity	3,311	3,026

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Cash and Working Capital

US\$ Million	Q1 FY2016/17	Q1 FY2015/16	Q4 FY2015/16
Bank Deposits and Cash	2,064	2,893	2,079
Total Borrowings	3,231	3,441	3,251
Net Debt	(1,167)	(548)	(1,172)
Net Cash Generated from / (used in) Operating Activities Net cash generated from / (used in) investing activities	8 34	(310) (147)	(700) (376)
Days Inventory	29	32	34
Days Receivable	38	42	45
Days Payable	67	69	79
Cash Conversion Cycle (day)	0	5	0

Performance by Business Group

PC & Smart Devices (PCSD)

- WW PC share at 21.1%, up 0.4pts YTY, share gain across all geos except EMEA
- Tablet: Profitable with double-digit growth premium to the market
- WW #1 in PC+tablet and widened the gap with #2
- PTI growth with margin improvement

Data Center (DCG)

- PRC Rev grew by 14% YTY
- NA & EMEA businesses remain relatively slower as we focus on investing in product portfolio and building sales force while competition stayed very keen
- Losses incurred during the quarter mainly due to business transition and competition in hyperscale business in China

Mobile (MBG)

- Gaining shipments and revenue traction QTQ due to shift of focus from volume to revenue
- Outgrew market in AP and Eastern Europe; continued strong performance in India and Indonesia; declined in NA in Q1 due to simplify product portfolio
- In China, focus on mid-to-high price band & user experience improvement; successful launch of ZUK Z2 models received good initial market feedback; continue to expand retailer coverage and online channels
- Increased branding & marketing to prepare for new products (Moto Z & Moto Mods)

		Revenue US\$ Million			Segment Pretax Income/(Loss) US\$ Million			Segment Pretax Income Margin			
		Q1 FY17	Q1 FY16	Q4 FY16	Q1 FY17	Q1 FY16	Q4 FY16	Q1 FY17	Q1 FY16	Q4 FY16	
PCSD	Operational	C 000	6 002	6 002 7 557	6 271	370	361	302	5.3%	4.8%	4.7%
PCSD	Reported*	6,992	7,557	6,371	370	361	302	5.3%	4.8%	4.7%	
MBG	Operational	1 706	1 015	1 516	(163)	(229)	(79)	-9.6%	-12.6%	-5.1%	
WIDG	Reported*	1,700	1,706 1,815	1,546	(206)	(273)	(123)	-12.1%	-15.0%	-8.0%	
DCG	Operational	1 006	1.077	005	(31)	7	17	-2.9%	0.6%	1.7%	
	Reported*	1,086	1,077	985	(64)	(40)	(16)	-5.9%	-3.8%	-1.6%	

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

Performance by Geography

China

- PC: PTI margin remained solid with market share gain amidst softness
- Mobile: Focus on mid-to-high price band & user experience improvement; successful launch of ZUK Z2 models received good initial market feedback
- **Enterprise:** Rev grew 14% YTY, continued to drive the business growth from hyperscale and new growth opportunities through partnerships

AP

- PC: Continue market share gain (16.4%, +0.4pt YTY)
- Mobile: Outgrew market in key countries including ASEAN & India
- Enterprise: Accelerating integration to drive future profitability improvement

EMEA

- **PC:** Continue actions to improve channel inventory to drive future growth
- Mobile: Gain traction from previous quarter despite slow YTY performance due to product transition
- **Enterprise:** Business transition resulted in YTY rev decline; further actions to stabilize business have been taken

AG (Americas)

- **PC**: Share up 1.4pt YTY to 14.4% driven by strong growth in NA; Brazil profitability continued to improve
- Mobile: Shipments decline in NA due to product transition while stabilizing in LA
- Enterprise: Remains relatively slower as building up field sales force through integration process while competition stayed very keen

		Revenue US\$ Million			Segment Pretax Income/ (Loss) US\$ Million			Segment Pretax Income Margin (%)			
	Q1 FY17	Y/Y	Q/Q	Q1 FY17	Q1 FY16	Q4 FY16	Q1 FY17	Q1 FY16	Q4 FY16		
China	2,854	(311)	503	138	153	107	4.8%	4.8%	4.5%		
AP	1,680	60	95	17	35	13	1.0%	2.2%	0.8%		
EMEA	2,467	(195)	(11)	(49)	40	5	-2.0%	1.5%	0.2%		
AG	3,055	(214)	336	38	(131)	8	1.3%	-4.0%	0.3%		

^{*} Excluded non-cash M&A-related accounting charges



- Summary: "PTI (As Reported) " Vs "PTI Before Non-Cash M&A Related Accounting Charges"
 - Condensed Consolidated Income Statement
 - Condensed Consolidated Cash Flow Statement
 - Pro-Forma FY16 Quarterly Performance by Business Group under the new organization structure effective from April 1, 2016

Summary: "PTI (As Reported) "Vs "PTI Before Non-Cash M&A Related Accounting Charges"

	Q1 FY16/17	Q1 FY15/16	Change (YTY)
Accounting Operating Profit (As-Reported)	245	96	157%
Other Non-Operating Expenses	(39)	(44)	-9%
Pre-tax Income (As-Reported)	206	52	297%
Non-Cash M&A-related Accounting Charges	75	91	-17%
PTI Before Non-Cash M&A-related Accounting Charges	281	143	97%
• Tax	(38)	50	NA
Non-Controlling Interests	5	3	62%
Non-Cash M&A-related Accounting Charges	(75)	(91)	-17%
Net Income (As-Reported)	173	105	64%

Condensed Consolidated Income Statement

US\$ Million	Q1 FY2016/17	Q1 FY2015/16
Revenue	10,056	10,716
Cost of sales	(8,522)	(9,069)
Gross profit	1,534	1,647
Other income – net	-	2
Selling and distribution expenses	(589)	(566)
Administrative expenses	(458)	(566)
Research and development expenses	(356)	(389)
Other operating income / (expenses) – net	114	(32)
Operating profit	245	96
Finance income	6	9
Finance costs	(55)	(51)
Share of profits / (losses) of associates and joint ventures	10	(2)
Profit before taxation	206	52
Taxation	(38)	50
Profit for the period	168	102
Profit / (loss) attributable to:		
Equity holders of the Company	173	105
Non-controlling interests	(5)	(3)
Earnings per share attributable to equity holders of the Company		
(US cents)		
- Basic	1.57	0.95
- Diluted	1.56	0.94

Condensed Consolidated Cash Flow Statement

US\$ Million	Q1 FY2016/17	Q1 FY2015/16	Q4 FY2015/16
Net cash generated from / (used in) operating activities	8	(310)	(700)
Net cash generated from / (used in) investing activities	34	(147)	(376)
Net cash (used in) / generated from financing activities	(41)	317	426
Increase / (decrease) in cash and cash equivalents	1	(140)	(650)
Effect of foreign exchange rate changes	(22)	4	25
Cash and cash equivalents at the beginning of the period	1,927	2,855	2,551
Cash and cash equivalents at the end of the period	1,906	2,719	1,926

Pro-forma FY16 Quarterly Performance by Business Group under the new organization structure effective from April 1, 2016

		Revenue			Pretax Income / (Loss)				Pretax Income / (Loss)			
	US\$ Million			US\$ Million				%				
	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
PCSD	7,557	8,468	8,400	6,371	361	391	404	302	4.8%	4.6%	4.8%	4.7%
MBG	1,815	2,336	2,851	1,546	(273)	(219)	(47)	(123)	-15.0%	-9.4%	-1.7%	-8.0%
DCG	1,077	1,177	1,314	985	(40)	(33)	(14)	(16)	-3.8%	-2.8%	-1.0%	-1.6%

