

FY 16/17 Q3 Earnings Announcement



+ Forward Looking Statement

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Yuanqing Yang

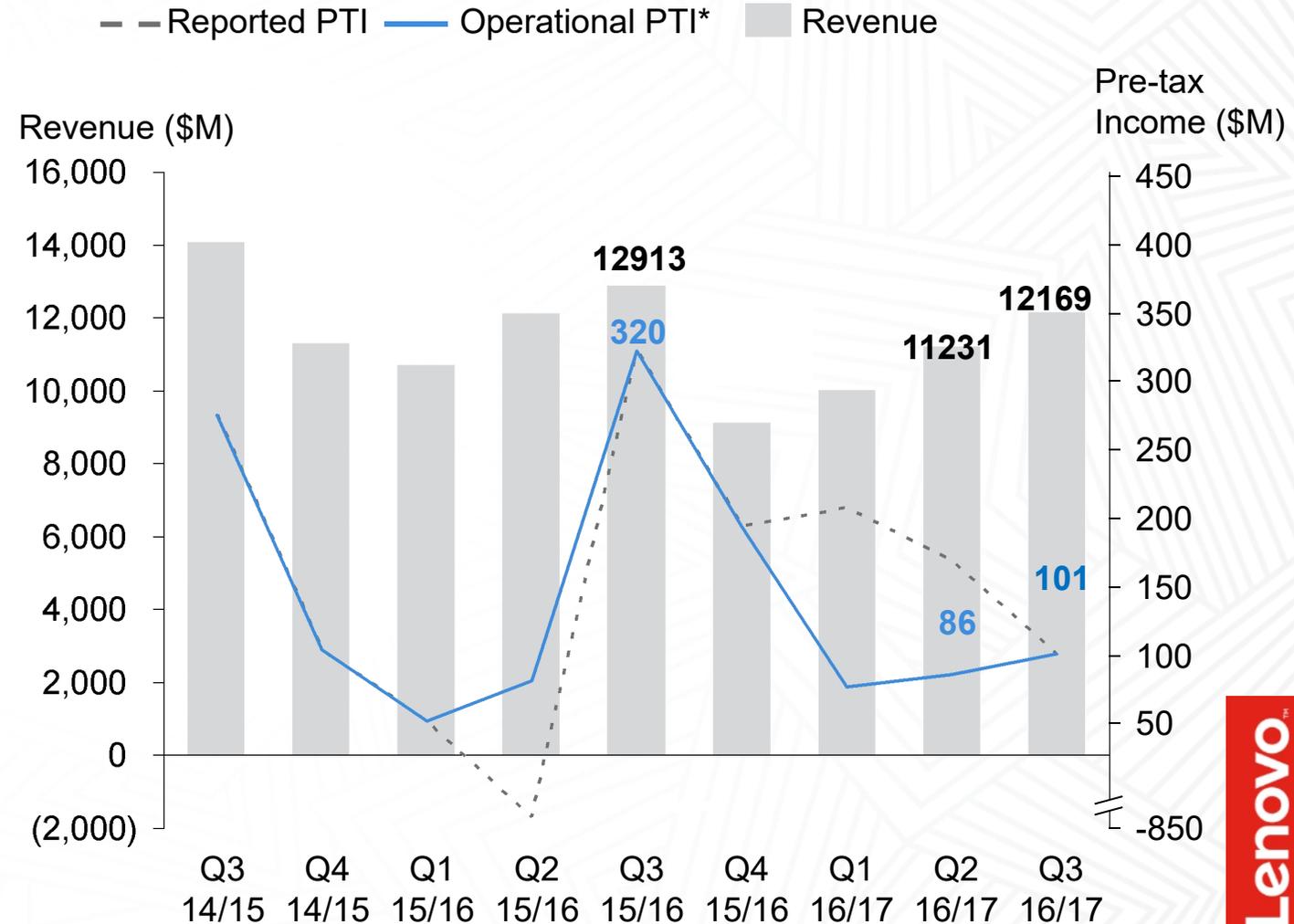
Chairman and CEO



+ Solid Performance in Challenging Markets

- Revenue: **\$12.2B**
- Pre-tax income: **\$101M**

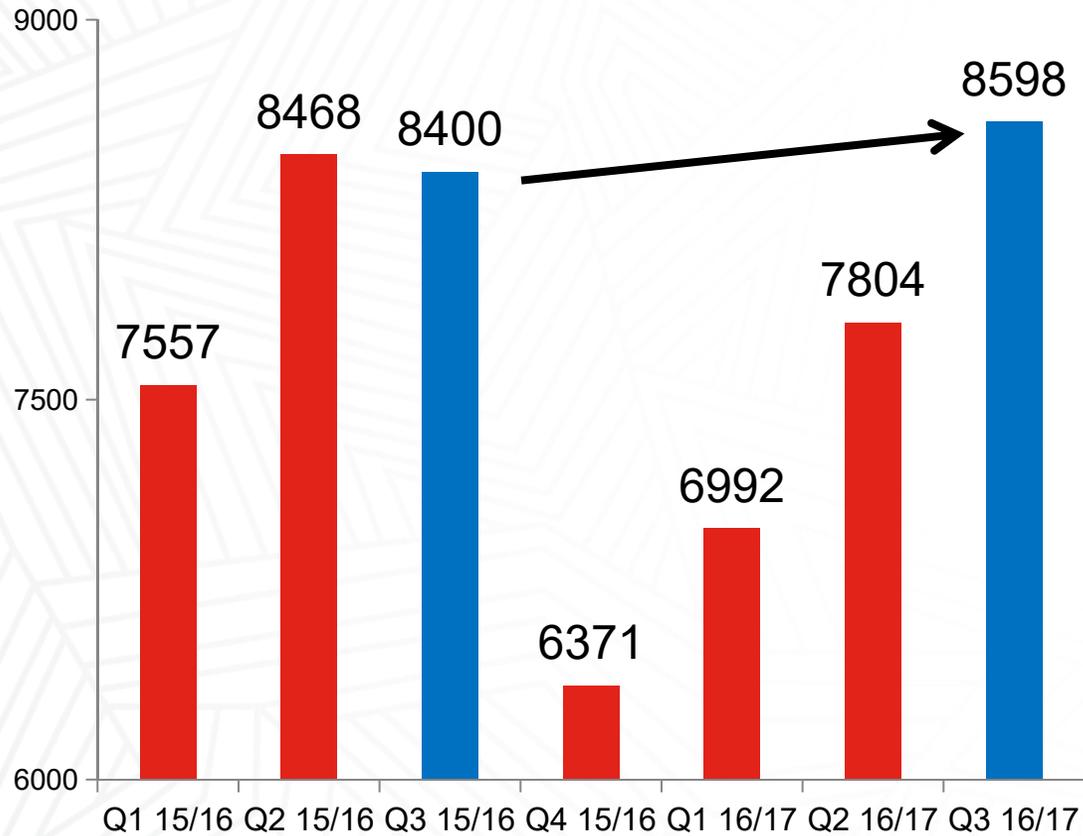
Revenue and Pre-tax Income (US\$ Millions)



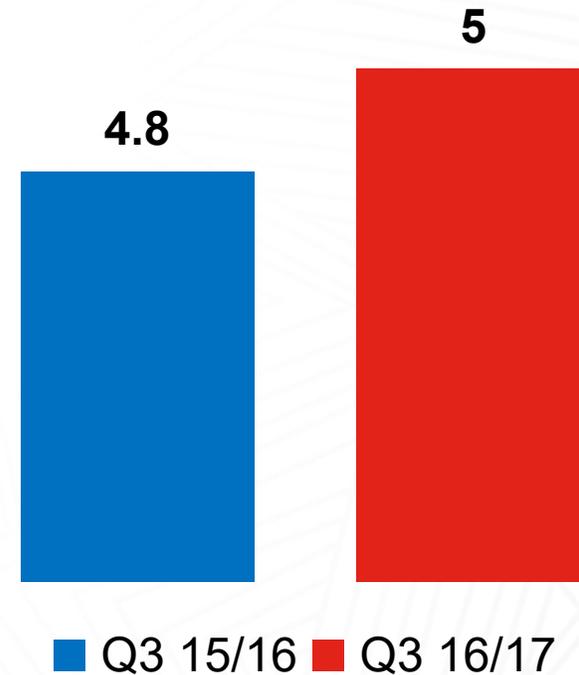
+ PC & Smart Devices: Strong Results

- Returned to YTY revenue growth after seven quarters of decline
- Improved pre-tax income margin YTY to **5.0%**

PC & Smart Devices Revenue (\$M)



PC & Smart Devices Pre-tax Income Margin (%)



+ PC & Smart Devices: Strong Results

- PC volume grew **1.8%** YTY, outgrew the market by 3.5 points, record market share of **22.4%**
- Outgrew market in North America, Latin America and EMEA
- Hypergrowth in Gaming, Detachables, Millennial and Chromebooks

YTY Growth in High-Growth Segments



Gaming **71%**



Detachables **91%**



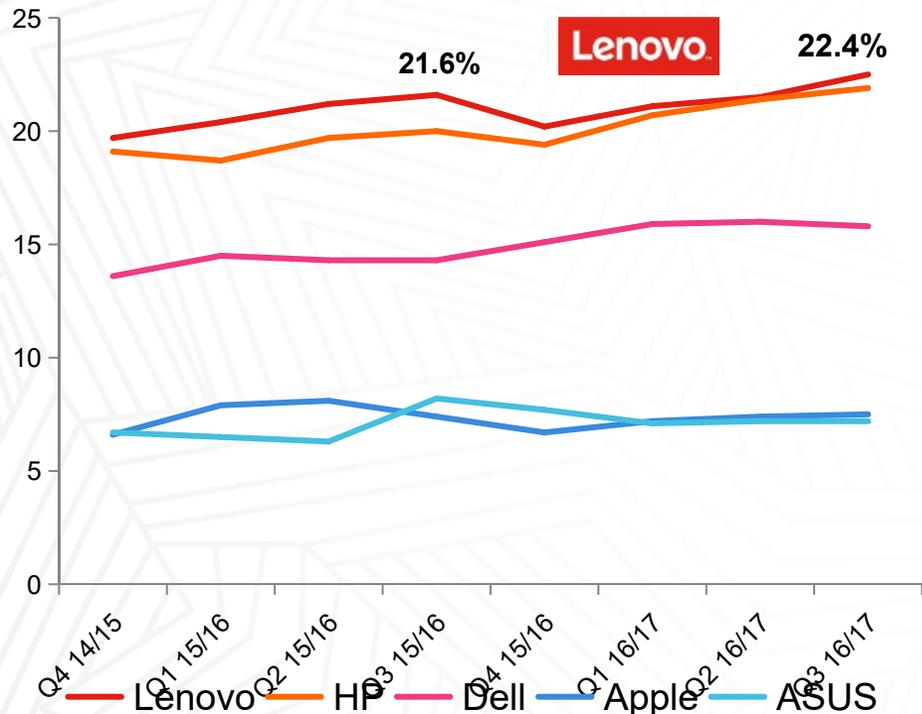
Millennial **258%**



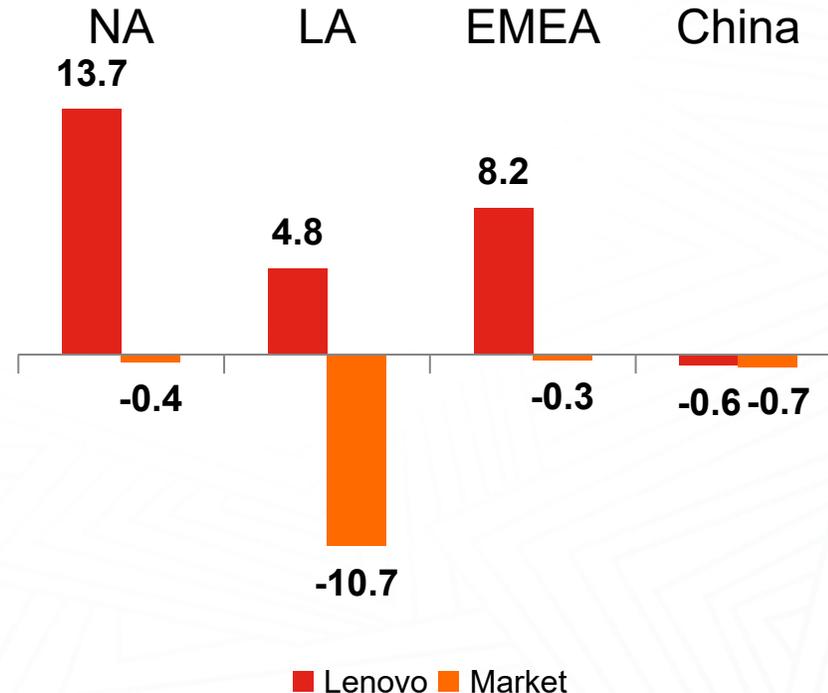
Chromebooks **76%**



PC World-wide Market Share (%)



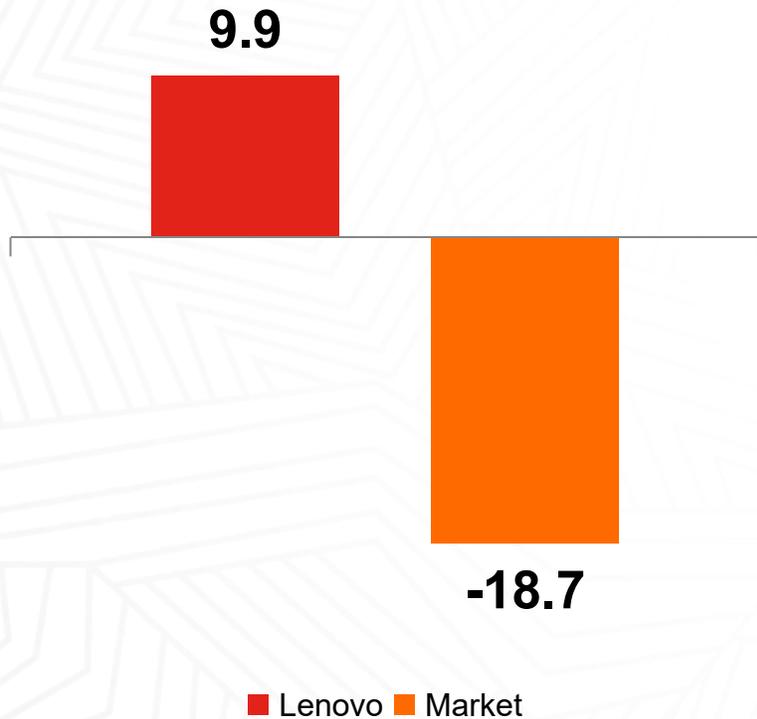
Geo PC YTY Growth (%)



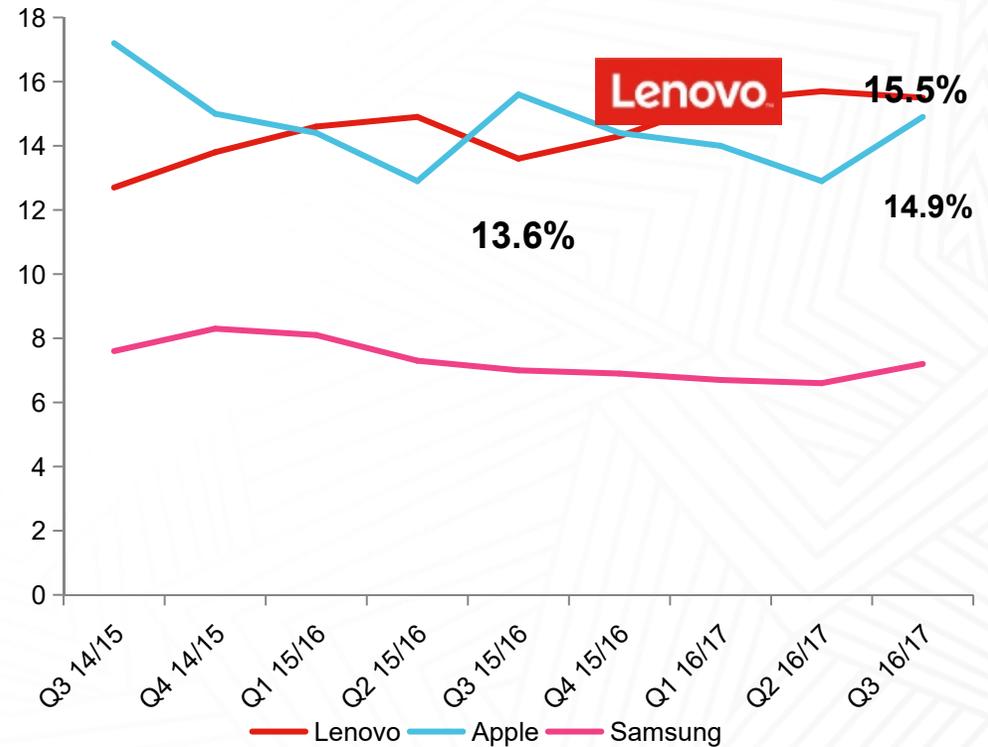
+ PC & Smart Devices: Strong Results

- Tablet: Outgrew market by **29** points
- PC + Tablet: Remained **#1** with **15.5%** worldwide share

Tablet YTY Growth (%)



WW PC+Tablet Market Share (%)



+ Mobile: Transformation on Track

- Became **#4** outside China, strong growth QTQ in EMEA, Latin America
- While decline in Asia Pacific, grew market share in India to 9.9% despite the demonetization impacted consumption
- Improved overall operating margin by **0.5 points** QTQ

+ Mobile: Transformation on Track

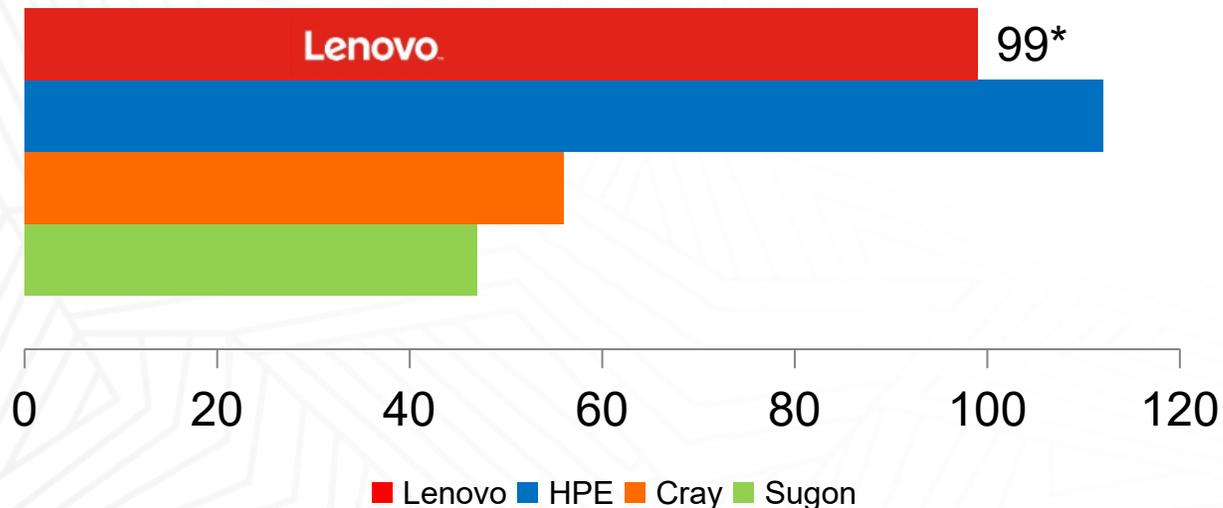
- China: Continue transition
 - Improve product portfolio
 - Expand channels
- Global: Build carrier relationships
- Moto Z on track to reach **3 million** units in first 12 months
- On track to **reach breakeven** by second half of fiscal year 17/18



+ Data Center: In Transition

- New leader, strategic plan in place
 - Adding direct sales capability
 - Fixing Hyperscale business profitability in China
- Signs of stabilization in North America, Latin America and EMEA
- Delivered first ThinkAgile converged system
- Ranked **#2** in High Performance Computing Top 500 list

HPC Top 500 System Installations



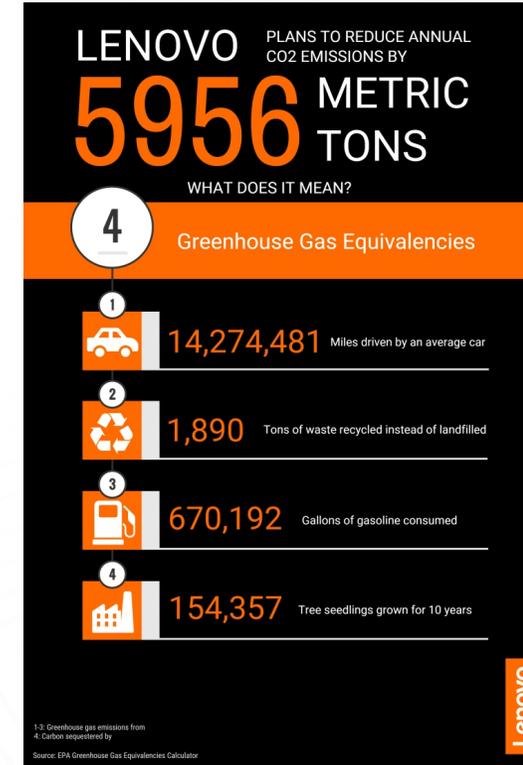
+ Innovation Drives Growth

- Consumer Electronics Show: **62 awards**
- In China, innovation roadshow in 100 major cities
- Revolutionary manufacturing process, greater efficiency and lower carbon emissions



IDEACENTRE AIO Y910: UBERGIZMO, BEST OF CES 2017 / **IDEAPAD Y700:** AOTMP MOBILITY AWARDS, MOBILITY AWARDS LARGE SCREEN LAPTOP / **LEGION Y720:** HOTHARDWARE, BEST OF CES 2017 / **LEGION Y720:** TAB TIMES, BEST OF CES 2017 / **LEGION Y720:** TECH TIMES, BEST GAMING LAPTOPS AT CES 2017 / **LEGION Y720:** ECHAERIS, BEST OF CES 2017 / **LEGION Y720:** CHIPCHICK, CES 2017 BEST GAMING PRODUCT / **LENOVO 500 MULTIMEDIA CONTROLLER:** TECHAERIS, BEST OF CES 2017 / **LENOVO 500 MULTIMEDIA CONTROLLER:** CHIPCHICK, CES 2017 BEST ACCESSORY / **LENOVO 500 MULTIMEDIA CONTROLLER:** PASTE, THE 10 BEST GADGETS OF CES 2017 / **LENOVO ENTERTAINMENT HUB:** WINDOWS CENTRAL, BEST OF CES 2017 / **LENOVO SMART ASSISTANT:** TALKANDRIOD, BEST OF CES 2017 / **LENOVO SMART ASSISTANT:** NETWORK WORLD, HOTTEST PRODUCTS FROM CES 2017 / **LENOVO SMART ASSISTANT:** POCKET-LINT, BEST SMART HOME DEVICES OF CES 2017 / **LENOVO SMART ASSISTANT:** USA TODAY REVIEWED.COM, CES 2017 EDITORS' CHOICE / **LENOVO SMART ASSISTANT:** GEARBRAIN, EDITOR'S CHOICE / **LENOVO SMART ASSISTANT:** MEN'S JOURNAL, THE BEST OF CES 2017, OUR 13 FAVORITE PRODUCTS / **LENOVO SMART ASSISTANT:** PC MAGAZINE, THE BEST OF CES 2017, BEST AUDIO PRODUCT / **LENOVO SMART ASSISTANT:** STUFF, THE 9 BEST CES 2017 GADGETS WITH AMAZON'S VOICE ASSISTANT / **LENOVO SMART ASSISTANT:** TECHNOBUFFALO, BEST OF CES 2017 / **LENOVO SMART ASSISTANT:** GOTTABEMOBILE, BEST OF CES 2017 / **LENOVO SMART ASSISTANT:** WIRED, BEST OF CES 2017, THIS YEAR'S MOST INTERESTING GADGETS / **LENOVO SMART ASSISTANT:** CRN, CES 2017, THE BEST OF THE BEST / **LENOVO SMART ASSISTANT:** TIME, 10 OF THE COOLEST GADGETS FROM CES 2017 / **LENOVO SMART STORAGE:** TWICE, TWICE PICKS 2017 CES - CONNECTED HOME DEVICES / **MIIX 720:** THUROTT.COM, CES 2017 BEST TABLET - DETACHABLE / **MIIX 720:** POCKET-LINT, BEST LAPTOPS AND TABLETS OF CES 2017 / **MIIX 720:** PC PRO, BEST OF CES / **MOTO MODS:** CONSUMER TECHNOLOGY ASSOCIATION, BEST OF INNOVATION HONOREE / **MOTO Z FAMILY:** CONSUMER TECHNOLOGY ASSOCIATION, INNOVATION AWARDS HONOREE / **PHAB 2 PRO:** CONSUMER TECHNOLOGY ASSOCIATION, BEST OF INNOVATION HONOREE / **THINKPAD X1 CARBON:** WINDOWS CENTRAL, BEST OF CES / **THINKPAD X1 CARBON:** EXPERT REVIEWS, BEST LAPTOP CES 2017 / **THINKPAD X1 CARBON:** ALPHA, BEST LAPTOP CES 2017 / **THINKPAD X1 CARBON:** FOX NEWS, HOTTEST NEW CES 2017 TECH / **THINKPAD X1 CARBON:** CHIPCHICK, CES 2017 BEST ENTERPRISE PRODUCT / **THINKPAD X1 CARBON:** THUROTT.COM, CES BEST PORTABLE PC FOR BUSINESS / **THINKPAD X1 CARBON:** USA TODAY REVIEWED.COM, CES 2017 EDITORS' CHOICE / **THINKPAD X1 CARBON:** UBERGIZMO, BEST OF CES / **THINKPAD X1 CARBON:** CONSUMER REPORTS, THEIR MOST INTRIGUING COMPUTERS AT CES - X1 CARBON / **THINKPAD X1 CARBON:** HOTHARDWARE, BEST OF CES 2017 / **THINKPAD X1 CARBON:** TAB TIMES, BEST OF CES 2017 / **THINKPAD X1 CARBON:** SLASHGEAR, CES 2017 BEST LAPTOP / **THINKPAD X1 CARBON:** POCKET-LINT, BEST LAPTOPS AND TABLETS OF CES 2017 / **THINKPAD X1 CARBON:** LAPTOP MAGAZINE, CES AWARDS BEST BUSINESS LAPTOP / **THINKPAD X1 CARBON:** TECHSPOT, BEST OF CES / **THINKPAD X1 CARBON:** PC PRO, BEST OF CES / **THINKPAD X1 TABLET:** FOX NEWS, HOTTEST NEW CES 2017 TECH / **THINKPAD X1 TABLET:** THUROTT.COM, CES BEST TABLET - DETACHABLE FOR BUSINESS / **THINKPAD X1 YOGA:** CONSUMER TECHNOLOGY ASSOCIATION, INNOVATION AWARDS HONOREE / **THINKPAD X1 YOGA:** AOTMP MOBILITY AWARDS, MOBILITY AWARDS CONVERTIBLE 2-IN-1 / **THINKPAD X1 YOGA:** FOX NEWS, HOTTEST NEW CES 2017 TECH / **THINKPAD X1 YOGA:** ARS TECHNICA, BEST LAPTOP - CONVERTIBLE CES 2017 / **THINKPAD X1 YOGA:** THUROTT.COM, CES BEST 2-IN-1 PC FOR BUSINESS / **THINKPAD X1 YOGA:** NOTEBOOKS.COM, BEST CONVERTIBLE / **THINKPAD YOGA 370:** NETWORK WORLD, HOTTEST PRODUCTS FROM CES 2017 / **YOGA 910:** CONSUMER TECHNOLOGY ASSOCIATION, INNOVATION AWARDS HONOREE / **YOGA BOOK (ANDROID):** CONSUMER TECHNOLOGY ASSOCIATION, BEST OF INNOVATION HONOREE

Lenovo



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We

Never
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Still

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Wong Wai Ming

Chief Financial Officer



+ Financial Summary

US\$ Million	Q3 FY2016/17	Q3 FY2015/16	Y/Y%	Q2 FY2016/17	Q/Q%
Revenue	12,169	12,913	-6%	11,231	8%
Gross Profit	1,595	1,885	-15%	1,607	-1%
Operating Expenses	(1,457)	(1,506)	-3%	(1,392)	5%
Operating Profit	138	379	-64%	215	-36%
Other Non-Operating Expenses - Net	(37)	(59)	-37%	(47)	-23%
Pre-tax Income	101	320	-68%	168	-40%
Taxation	6	(26)	NA	(16)	NA
Profit for the period	107	294	-64%	152	-30%
Non-controlling interests	(9)	6	NA	5	NA
Profit attributable to Equity Holders of the company	98	300	-67%	157	-37%
EPS (US cents)					
- Basic	0.90	2.71	(1.81)	1.42	(0.52)
- Diluted	0.90	2.70	(1.80)	1.42	(0.52)

	Q3 FY2016/17	Q3 FY2015/16	Q2 FY2016/17
Gross margin	13.1%	14.6%	14.3%
E/R ratio	12.0%	11.7%	12.4%
Operating margin	1.1%	2.9%	1.9%
PTI margin	0.8%	2.5%	1.5%
Net margin attributable to Equity Holders	0.8%	2.3%	1.4%



Condensed Balance Sheet

US\$ Million

	As at Dec 31, 2016	As at Sep 30, 2016
Non-current assets	11,790	11,946
Property, plant and equipment	1,264	1,281
Intangible assets	8,314	8,560
Others	2,212	2,105
Current assets	15,414	15,138
Bank deposits and cash	2,685	2,450
Trade, notes and other receivables	9,628	9,610
Inventories	2,834	2,883
Others	267	195
Current liabilities	19,848	17,830
Short-term bank loans	64	39
Trade, notes, other payables and provisions	18,919	16,862
Others	865	929
Net current liabilities	4,434	2,692
Non-current liabilities	4,321	6,071
Total equity	3,035	3,183

+ Cash and Working Capital

US\$ Million	Q3 FY2016/17	Q3 FY2015/16	Q2 FY2016/17
Bank Deposits and Cash	2,685	2,701	2,450
Total Bank Borrowings	2,530	2,750	2,527
Net Cash / (Debt) Reserves	155	(49)	(77)
Net Cash Generated from Operating Activities	345	393	1,559
Days Inventory	26	24	27
Days Receivable	36	37	36
Days Payable	75	63	68
Cash Conversion Cycle	-13 days	-2 days	-5 days

+ Q3FY17 Performance by Business Group

PCSD

- Resume rev growth while deliver solid margin and maintained WW Traditional PC #1 with record high market share;
- WW #1 in PC+Tablet; Strong growth across high growth segments
- Strong growth in NA; Record high market share in China, AG & EMEA
- Solid PTI margin at 5.0%, +0.2pts YTY

Data Center

- Business still under transformation
- Early sign of stabilization esp. in NA; Rev growth QTQ in EMEA, NA & LA; Continue strong growth from Global Accounts
- Kick started transformation in China: refining hyperscale business model to strike a balance between growth & profitability

Mobile

- Group: Continued QTQ shipment growth & strategic shift to drive value growth
- ROW: Shipments QTQ growth of 16%; Strong QTQ growth in EMEA & LA; remained strong with QTQ share gain in India
- Strong shipment of Moto G & on track to its 3 million shipment from Moto Z and Moto Mods
- China: Still in transition; Focus on product portfolio enhancement

		Revenue US\$ Million			Segment Pretax Income/(Loss) US\$ Million			Segment Pretax Income Margin		
		Q3 FY17	Q3 FY16	Q2 FY17	Q3 FY17	Q3 FY16	Q2 FY17	Q3 FY17	Q3 FY16	Q2 FY17
PCSD	Operational	8,598	8,400	7,804	431	404	405	5.0%	4.8%	5.2%
	Reported*				431	404	405	5.0%	4.8%	5.2%
MBG	Operational	2,185	2,851	2,045	(112)	(4)	(114)	-5.1%	-0.1%	-5.6%
	Reported*				(155)	(47)	(156)	-7.1%	-1.7%	-7.7%
DCG	Operational	1,050	1,314	1,082	(94)	20	(108)	-8.9%	1.5%	-10.0%
	Reported*				(124)	(14)	(141)	-11.8%	-1.0%	-13.1%

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

+ Q3FY17 Performance by Geography

China

- **Traditional PC:** Record high market share with strong margin performance
- **Mobile:** Focus on portfolio enhancement and resulted in ASP improvement
- **Data Center:** Kick starting transformation: refining hyperscale business model to strike a balance between growth & profitability

AP

- **Traditional PC:** Impact of India demonetization and challenges in AP emerging markets due to slowing macro environment
- **Mobile:** Declined QTQ due to supply shortages; Grew India market share to almost 10% despite demonetization impact
- **Data Center:** Rebuilding sales force to drive future growth

EMEA

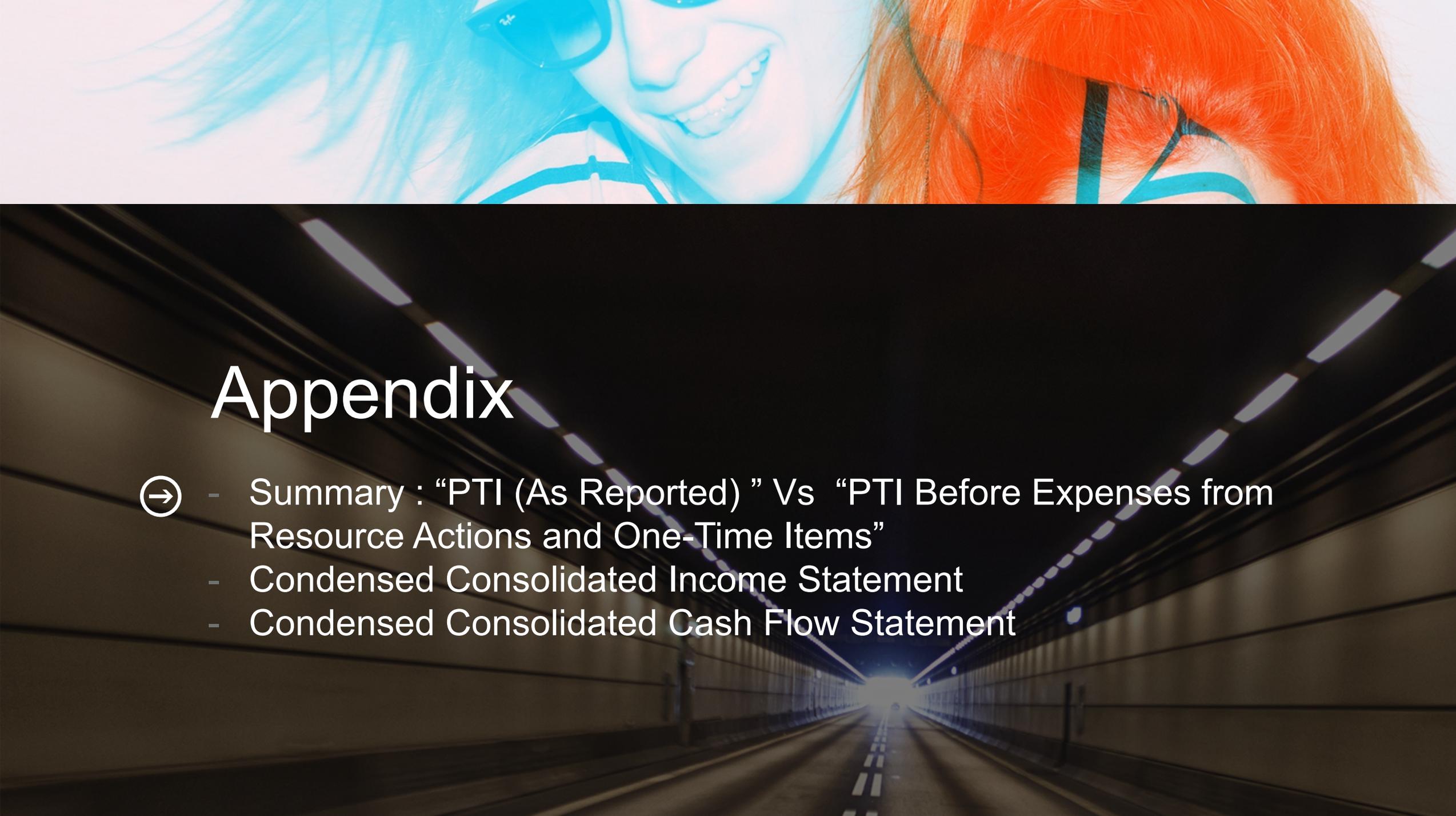
- **Traditional PC:** Record market share in EMEA (mkt share: +1.7pts to 21.1%)
- **Mobile:** Strong QTQ growth, esp in WE and MEA
- **Data Center:** Revenue improved QTQ from business model reform

AG (Americas)

- **Traditional PC:** Strong PC growth; mkt share: +1.9pt YTY to 15.3% led by strong NA performance
- **Mobile:** Outgrow market both YTY & QTQ in LA; building broader carrier channels in NA
- **Data Center:** Revenue improved QTQ which show signs of stabilization from business model reform

	Revenue US\$ Million			Segment Pretax Income/ (Loss) US\$ Million			Segment Pretax Income Margin (%)		
	Q3 FY17	Y/Y	Q/Q	Q3 FY17	Q3 FY16	Q2 FY17	Q3 FY17	Q3 FY16	Q2 FY17
China	3,464	(54)	269	180	167	158	5.2%	4.7%	4.9%
AP	1,702	(278)	(195)	(41)	19	2	-2.4%	1.0%	0.1%
EMEA	3,359	(93)	621	(102)	57	(65)	-3.0%	1.7%	-2.4%
AG	3,644	(319)	243	39	76	20	1.1%	1.9%	0.6%

* Excluded non-cash M&A-related accounting charges



Appendix

- ➔ - Summary : “PTI (As Reported) ” Vs “PTI Before Expenses from Resource Actions and One-Time Items”
- Condensed Consolidated Income Statement
- Condensed Consolidated Cash Flow Statement

**+ Summary : “PTI (As Reported) ” Vs
“PTI Before Expenses from Resource Actions and One-Time Items”**

	Q3 FY16/17	Q3 FY15/16	Q2FY16/17
Pre-tax Income (As-Reported)	101	320	168
• Restructuring Costs and One-time expenses	-	-	136
• One-time Gain Including Property Disposal Gain	-	-	(218)
PTI Before Expenses from Resource Actions and One-Time Items	101	320	86
• Tax	6	(26)	(16)
• Non-Controlling Interests	(9)	6	5
• Restructuring Costs and One-time Items	-	-	(136)
• One-time Gain Including Property Disposal Gain	-	-	218
Net Income (As-Reported)	98	300	157

+ Condensed Consolidated Income Statement

<i>US\$ Million</i>	Q3 FY2016/17	YTD FY2016/17	Q3 FY2015/16	YTD FY2015/16
Revenue	12,169	33,456	12,913	35,779
Cost of sales	(10,574)	(28,719)	(11,028)	(30,672)
Gross profit	1,595	4,737	1,885	5,107
Other (loss) / income, net	(1)	11	-	2
Selling and distribution expenses	(727)	(2,023)	(622)	(1,837)
Administrative expenses	(446)	(1,343)	(524)	(1,632)
Research and development expenses	(318)	(1,023)	(381)	(1,140)
Other operating income / (expense) – net	35	239	21	(809)
Operating profit / (loss)	138	598	379	(309)
Finance income	6	18	7	25
Finance costs	(53)	(164)	(63)	(179)
Share of profits / (loss) of associated companies	10	23	(3)	(7)
Profit / (loss) before taxation	101	475	320	(470)
Taxation	6	(48)	(26)	149
Profit / (loss) for the period	107	427	294	(321)
Profit / (loss) attributable to:				
Equity holders of the company	98	428	300	(308)
Non-controlling interests	9	(1)	(6)	(13)
Dividend	-	86	-	86
Earnings / (loss) per share attributable to equity holders of the Company (US cents)				
- Basic	0.90	3.88	2.71	(2.78)
- Diluted	0.90	3.88	2.70	(2.78)

+ Condensed Consolidated Cash Flow Statement

<i>US\$ Million</i>	Q3 2016/17	Q3 2015/16	Q2 2016/17
Net cash generated from operating activities	345	393	1,559
Net cash generated from / (used in) investing activities	93	(142)	(201)
Net cash used in financing activities	(118)	(427)	(1,015)
Increase / (decrease) in cash and cash equivalents	320	(176)	343
Effect of foreign exchange rate changes	(50)	(34)	4
Cash and cash equivalents at the beginning of the period	2,253	2,761	1,906
Cash and cash equivalents at the end of the period	2,523	2,551	2,253



thanks.

