

FY 17/18 Earnings Announcement



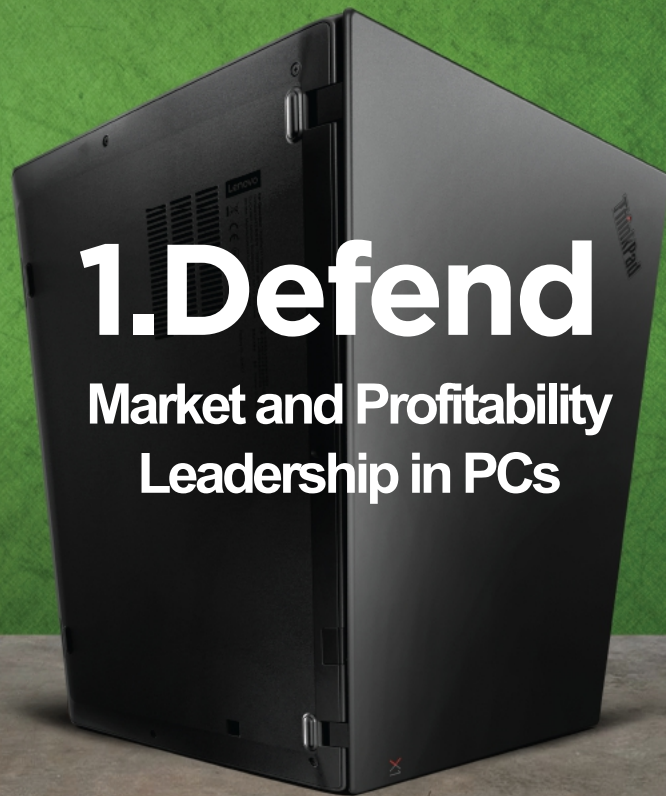
+ Forward Looking Statement

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Yuanqing Yang

Chairman & CEO





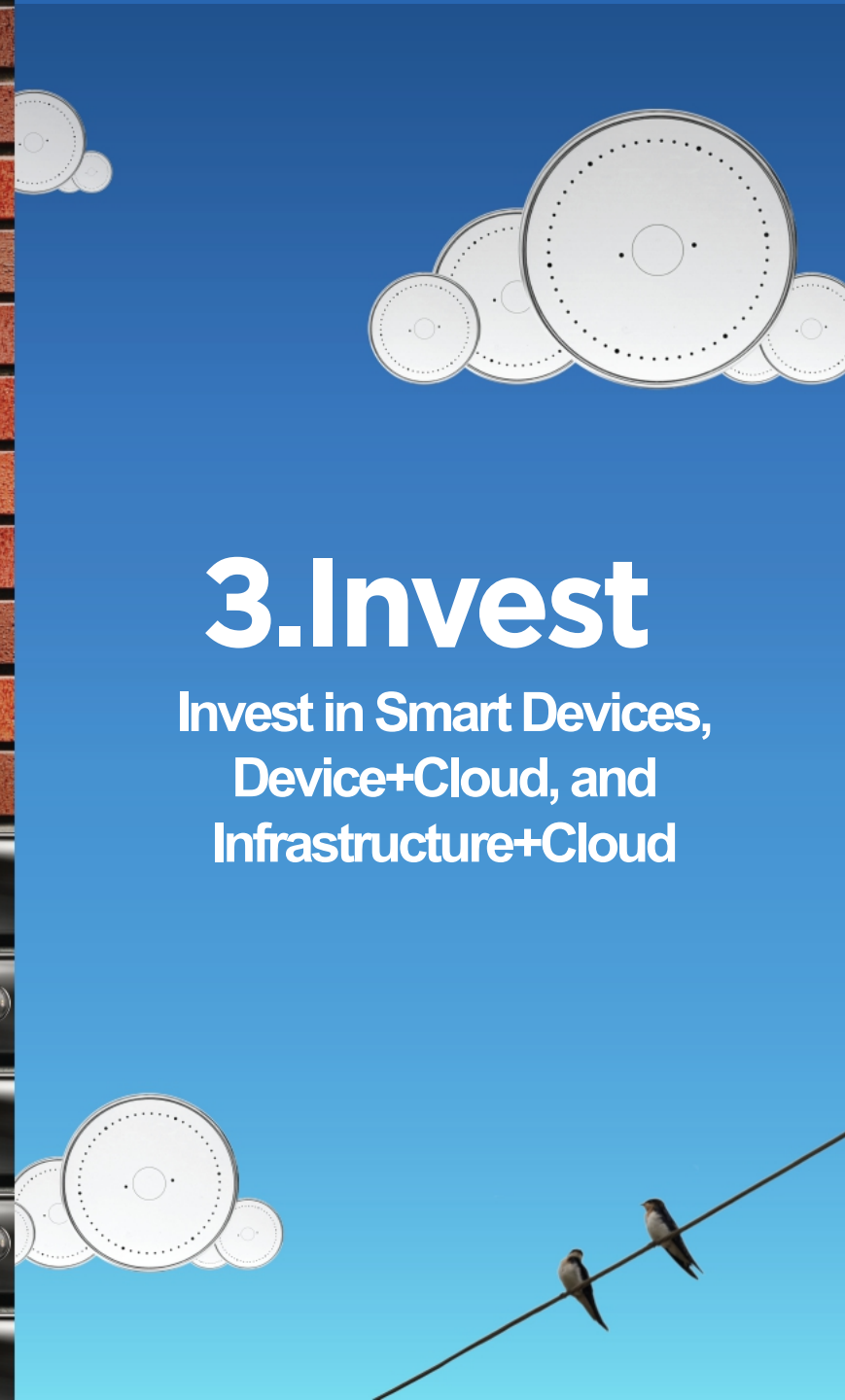
1. Defend

Market and Profitability
Leadership in PCs



2. Build

Build Mobile & Data Center into
New Profit & Growth Engines

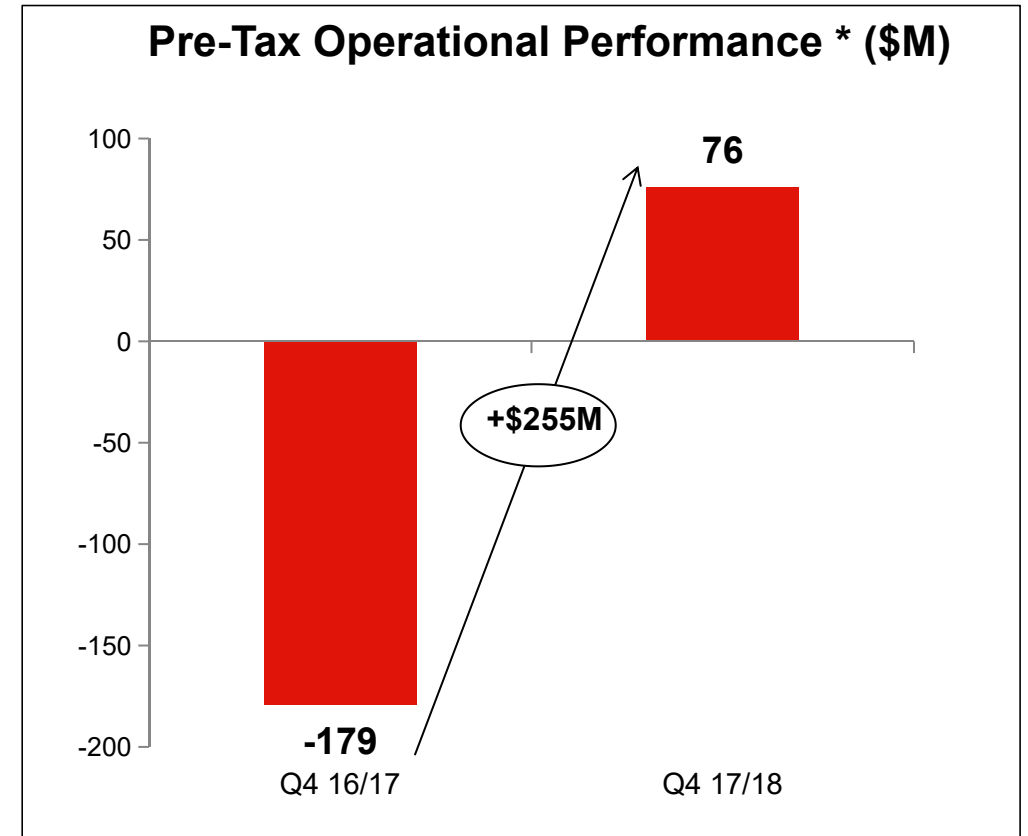
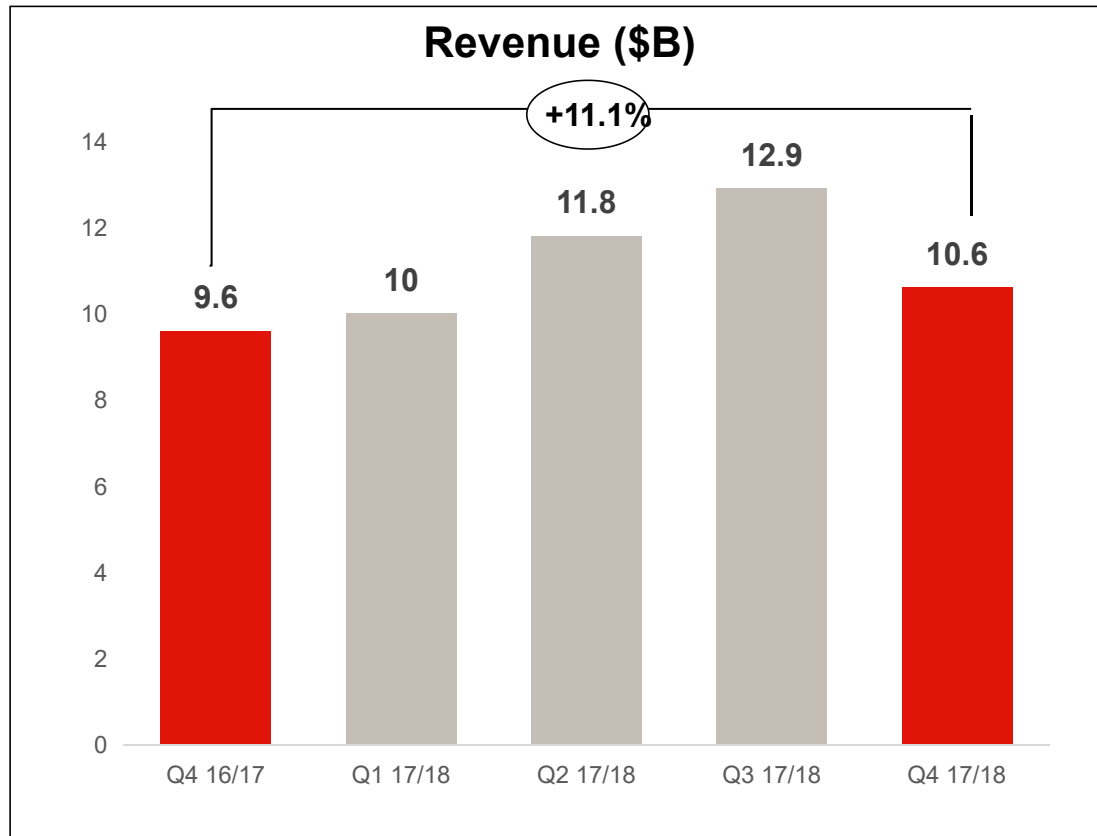


3. Invest

Invest in Smart Devices,
Device+Cloud, and
Infrastructure+Cloud

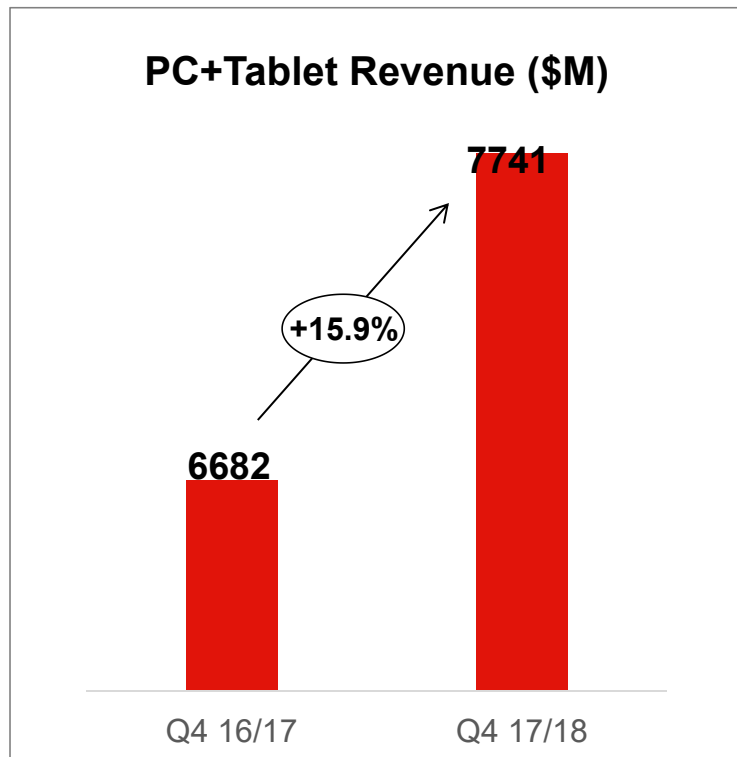
+ Fourth Quarter: Momentum Continues

- Revenue **\$10.6** billion, up **11.1%** year-on-year, resumed double-digit growth
- Improved profitability in all 3 key businesses
- Pre-Tax operational performance* improved **\$255** million year-on-year



+ Fourth Quarter: Momentum Continues

- PC & Tablet:
 - Revenue growth continues, **15.9%** year-on-year, highest growth in 4 years
 - Pre-Tax Income margin returned to **5%** after a year



ThinkPad X1 Carbon



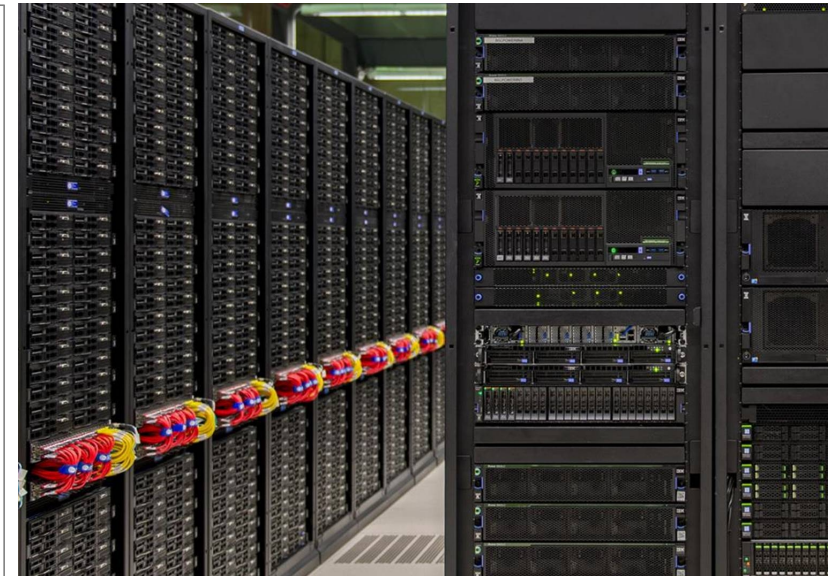
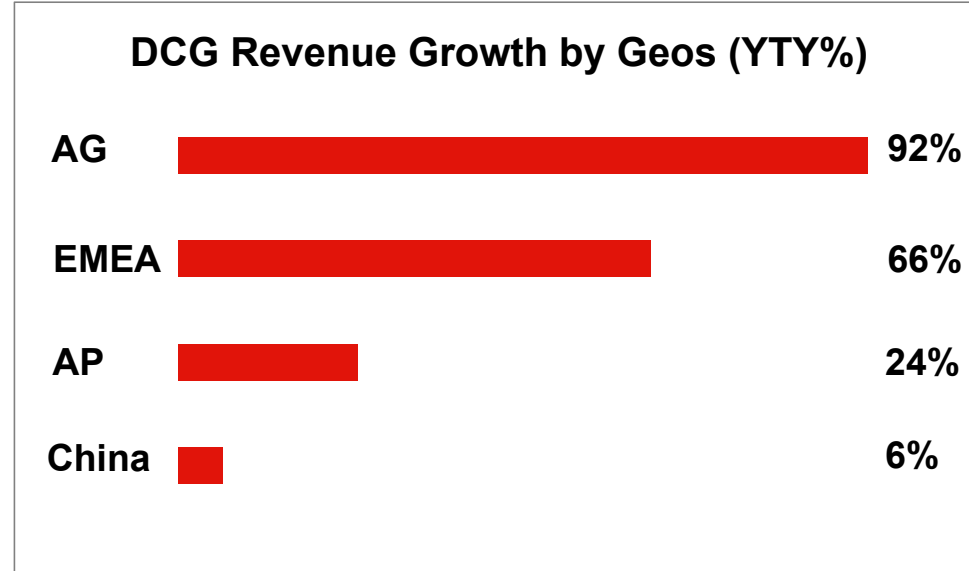
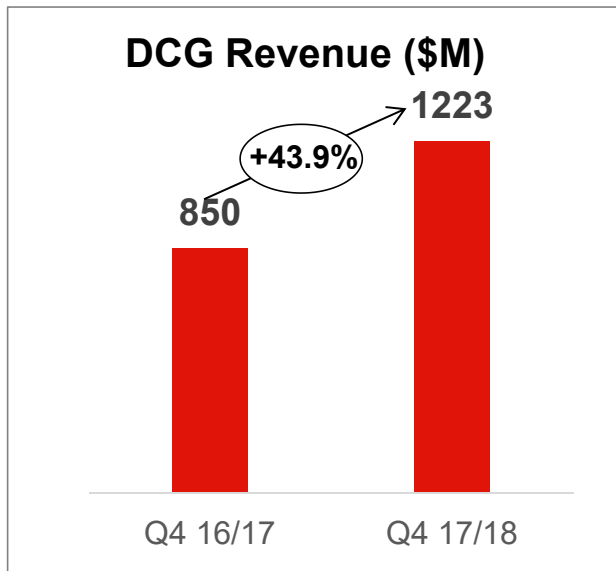
Miix 630



Yoga 920

+ Fourth Quarter: Momentum Continues

- Data Center:
 - Revenue grew **43.9%** year-on-year; growth in all segments, all Geos
 - Profitability improved **11** points year-on-year; narrowing loss for 4th consecutive quarter

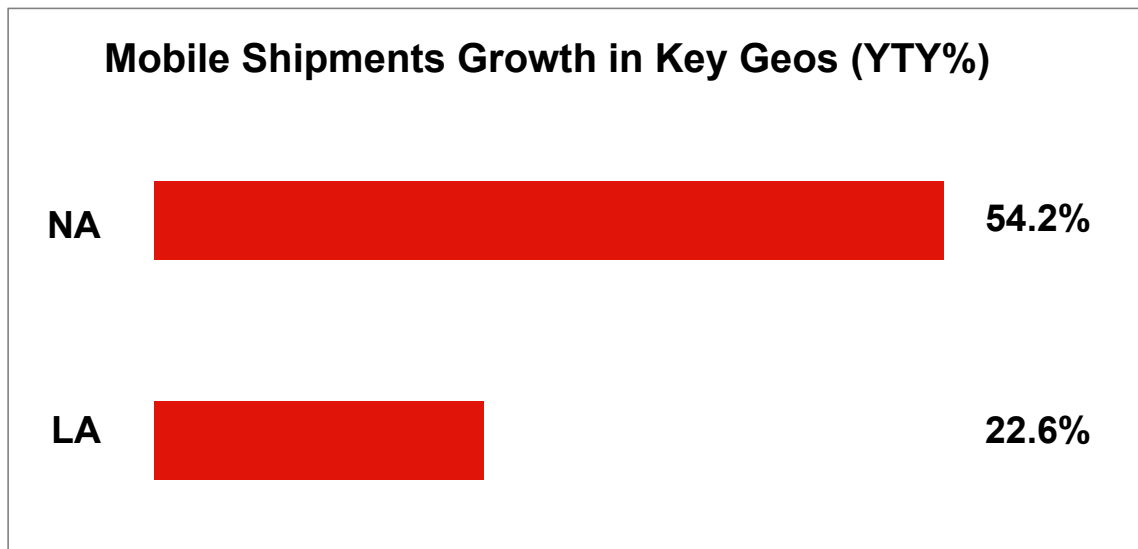


+ Fourth Quarter: Momentum Continues

- Mobile:
 - Refining branding strategy, business model in Emerging Markets
 - Showed strength in North America and Latin America
 - Took actions to cut expense **30%** to reshape business for new fiscal year



Moto G6



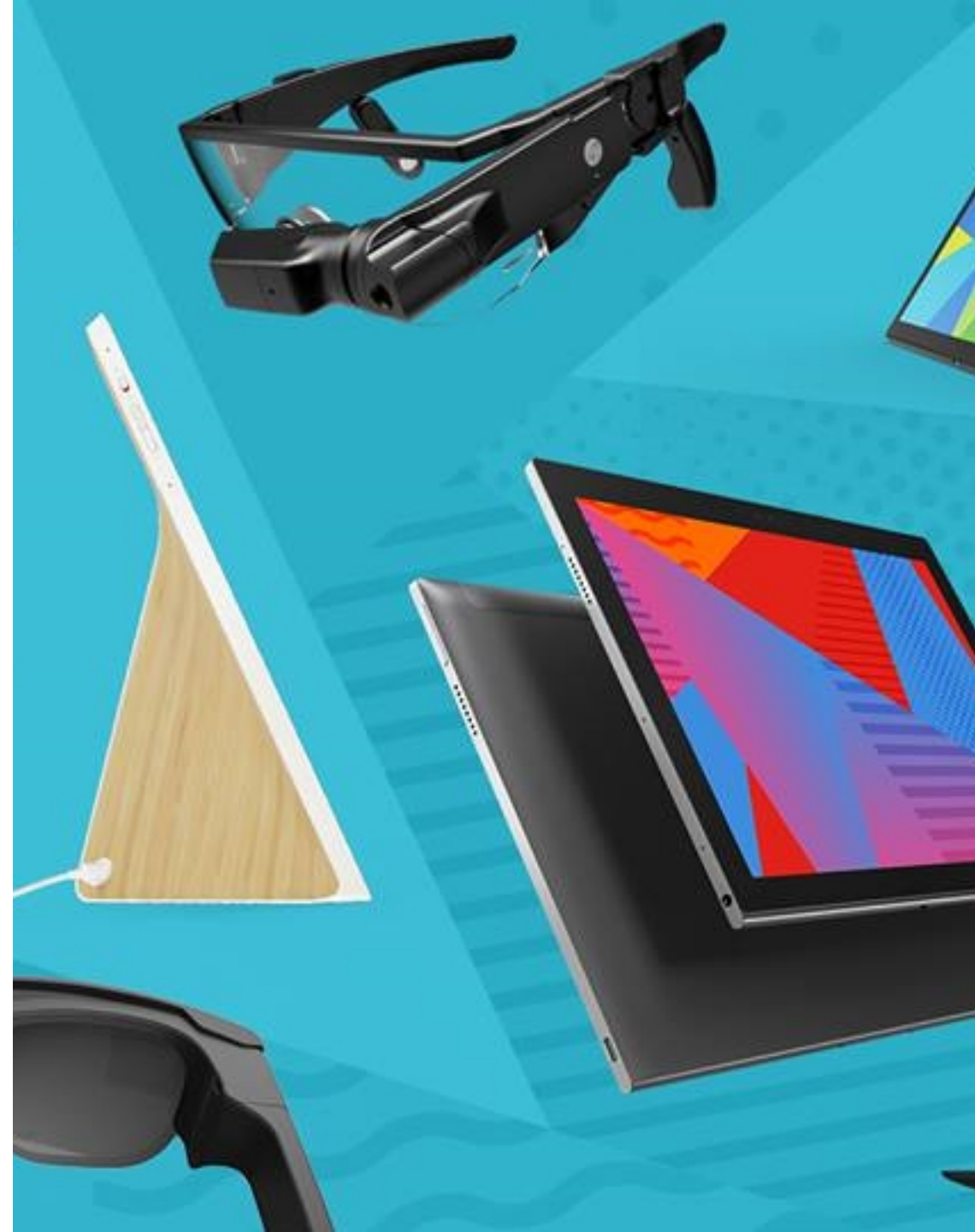


Fourth Quarter: Momentum Continues

- The 3rd Wave
 - Software and services revenue increased almost **30%** year-on-year
 - **#1** AR device maker
 - Launched new smart devices: Mirage Solo VR headset, VR camera and Smart Office ThinkSmart Hub, etc.

Organizational Change

- To adapt to the Smart IoT era, we combined PC, Smart Devices and Mobile into Intelligent Devices Group (IDG)
 - Leverage shared platforms for lower costs, higher efficiency
 - Accelerate convergence between computing and communication technologies
 - Drive new UDS platform to connect users, devices and cloud services



+ The Year Ahead

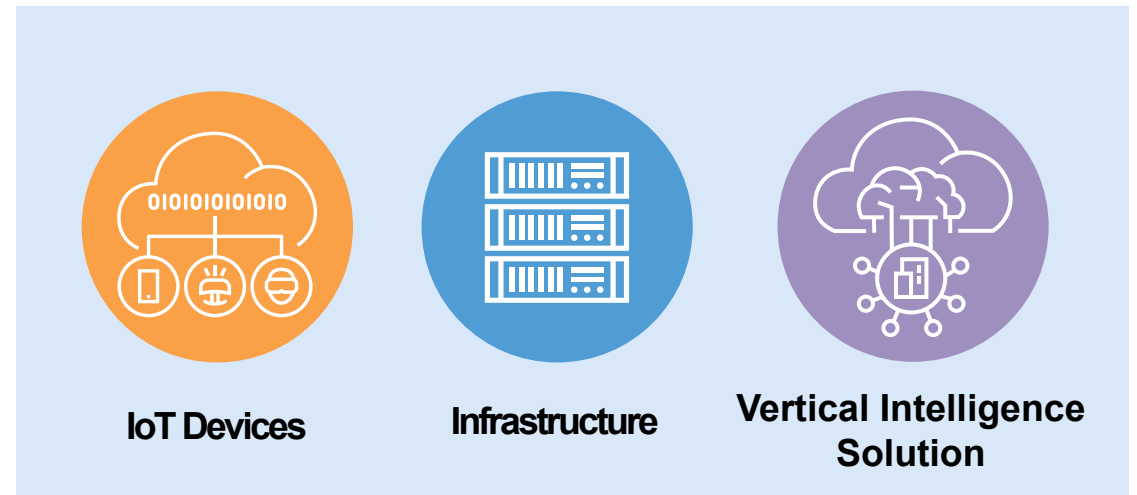
• Intelligent Devices Group:

- Strengthen our leading profitability, market position in PCs and Tablets;
- Reshape and improve profitability in Mobile, return to financial health
- Focus on high-growth smart IoT segments, building UDS platform and increasing services penetration rate

• Data Center Group:

- To be a profitable, sustainable growth engine
- More than double Hyperscale and Software Defined businesses through industry leading innovation
- Remain committed to improving profitability year on year

• Vertical Intelligent Solutions: Build our capability using IoT, big data and A.I. technology



Looking Forward

Last year, strong execution returned our business to growth

Year ahead, continue to grow revenue and profitability and build competitiveness in the Intelligence Era



Wong Wai Ming

Chief Financial Officer



Financial Highlights

4Q FY2017/18:

- Strong results driven by continued transformation
- Revenue grew double-digit YTY, strongest in over 2 years
- Group operational performance improved \$255 million YTY
- PCSD: strong 16% revenue YTY growth; PTI returned to 5%
- DCG: strong 44% revenue YTY growth; loss further narrowed
- MBG: loss narrowed YTY; LA & NA continued its strong momentum

FY2017/18:

- Transformation efforts drove 3 consecutive revenue YTY growth, and 2 consecutive PTI YTY growth
- Group operational performance improved around \$100 million YTY
- PCSD: revenue returned to growth
- DCG: strong revenue momentum in 2FH drove FY revenue back to growth; loss further narrowed
- MBG: LA continued its strong momentum; focus on significantly reduce loss in FY19

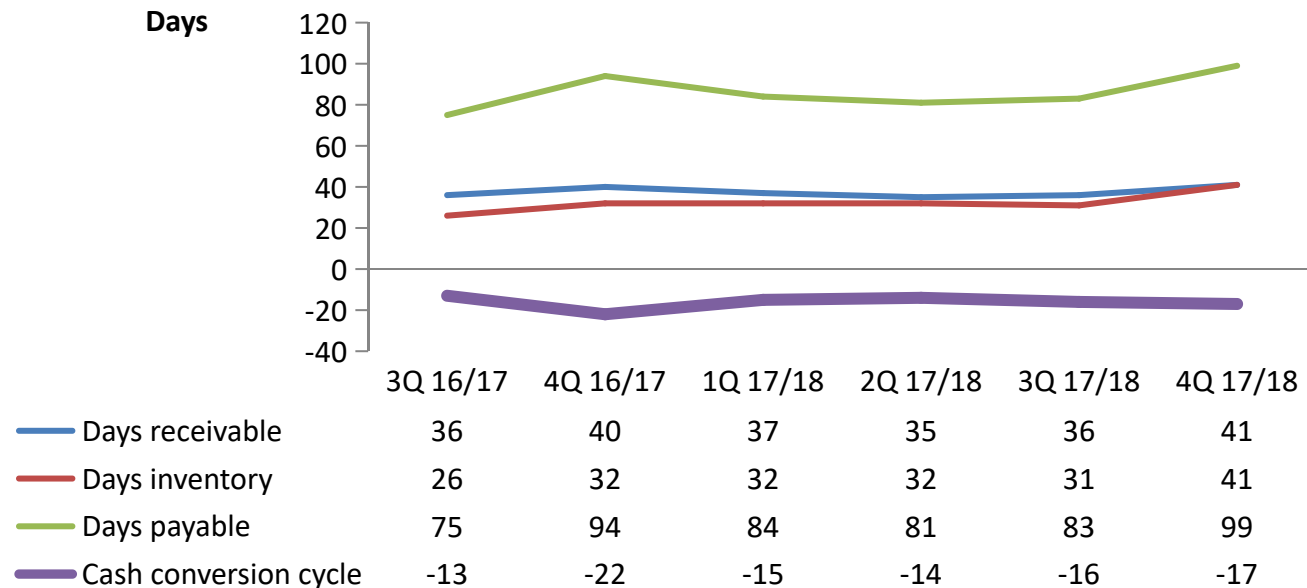
Financial Snapshot

US\$ Million	Q4 FY2017/18	Q4 FY2016/17	Q3 FY2017/18	FY2017/18	FY2016/17
Revenue	10,638	9,579	12,939	45,350	43,035
Gross Profit	1,544	1,368	1,751	6,272	6,106
Operating Expenses	(1,443)	(1,294)	(1,547)	(5,885)	(5,434)
Operating Profit	101	74	204	387	672
Pre-tax Income	37	15	150	153	490
Exclude: One-time items	39	(194)	-	40	(393)
Group Operational Performance*	76	(179)	150	193	97
	Q4 FY2017/18	Q4 FY2016/17	Q3 FY2017/18	FY2017/18	FY2016/17
Gross margin	14.5%	14.3%	13.5%	13.8%	14.2%
PTI margin	0.3%	0.2%	1.2%	0.3%	1.1%
Operational performance margin	0.7%	-1.9%	1.2%	0.4%	0.2%

Note: *Operational performance is measured at profit before taxation, but excluding restructuring charges and disposal gains on properties.

Cash and Working Capital

US\$ Million	Q4 FY2017/18	Q4 FY2016/17	Q3 FY2017/18	FY2017/18	FY2016/17
Bank deposits and cash	1,932	2,951	1,747	1,932	2,951
Total Borrowings	3,815	3,037	2,674	3,815	3,037
Net Debt	(1,883)	(86)	(927)	(1,883)	(86)
Net cash (used in)/generated from operating activities	(753)	(26)	211	(756)	2,120



PC & Smart Device Business Group (PCSD)

Q4 Highlights

- Strong revenue growth of 16% year-on-year; Continued the growth for 6th consecutive quarter
- Double digit revenue growth in 4 out of 5 geographies; China regained momentum with premium to market growth
- PTI returned to 5.0%, driven by better product mix and growth from premium and fast growing segment
- Strong Commercial segment growth – gained 0.8 pts YTY share in unit; Gaming PC revenue grew strong double-digit

FY18 Highlights

- Revenue returned to growth of 8% after 2 years of decline
- Commercial remained solid; Strong growth in Workstation and Gaming, each reached billion dollar scale in FY18
- PTI dollar maintained, as better mix offset the component cost increases

US\$ Million	Q4 FY2017/18	Q4 FY2016/17	Q3 FY2017/18	FY2017/18	FY2016/17
Revenue	7,741	6,682	9,250	32,379	30,076
Pre-tax Income	384	288	416	1,459	1,494
Pre-tax Income Margin (%)	5.0%	4.3%	4.5%	4.5%	5.0%

Data Center Business Group (DCG)

Q4 Highlights

- Strong 44% revenue YTY growth, fastest growth since System x acquisition after an already strong Q3 of 17% YTY growth
- 4th consecutive quarter of strong revenue YTY growth in NA & EMEA; China returned to YTY revenue growth for the 2nd consecutive quarter with margin improvement
- Loss furthered narrowed YTY, following the profitability improvement in Q3
- Hyperscale revenue grew triple-digit with margin further improved; High Performance Computing (HPC) & Software Define revenue both grew double digit; Global account grew 147% YTY

FY18 Highlights

- Transformation is on track; loss narrowed QTQ every quarter in the fiscal year; revenue return to growth of 8% YTY
- Hyperscale: strong revenue growth and margin improvement, design wins for 6 of the top 10 global hyperscale customers
- Software Defined Infrastructure (SDI): strong triple-digit revenue growth driven by success of our partnership strategy
- HPC: solidified the number 2 spot on the global Top500 Supercomputing list, fast closing the gap with the number 1 player
- Global account grew 5 quarters in a row

US\$ Million		Q4 FY2017/18	Q4 FY2016/17	Q3 FY2017/18	FY2017/18	FY2016/17
Revenue		1,223	850	1,225	4,394	4,068
Pre-tax Loss	Operational	(34)	(110)	(56)	(305)	(343)
	Reported*	(64)	(141)	(86)	(425)	(470)
Pre-tax Income Margin (%)	Operational	(2.8%)	(13.0%)	(4.6%)	(6.9%)	(8.4%)
	Reported*	(5.2%)	(16.6%)	(7.0%)	(9.7%)	(11.6%)

Mobile Business Group (MBG)

Q4 Highlights

- Core geo Latin America remained strong with double-digit revenue YTY growth and mid single-digit PTI margin; premium to market growth in both revenue and unit
- North America continued to see strong shipment growth, owing to the strength of mainstream models and carrier expansion
- Faced challenges in other emerging markets on intense competition that drove the total shipment decline
- Component cost hike remained a challenge

FY18 Highlights

- Loss narrowed, but more work needs to be done
- Lenovo already begun executing a plan to significantly reduce the loss in FY19 by simplifying business and focusing on profitable markets
- Strong core markets: Latin America revenue grew double-digit YTY for 6 quarters in a row; North America shipment grew 57% YTY

US\$ Million		Q4 FY2017/18	Q4 FY2016/17	Q3 FY2017/18	FY2017/18	FY2016/17
Revenue		1,342	1,772	2,076	7,241	7,707
Pre-tax Loss	Operational	(110)	(177)	(92)	(463)	(566)
	Reported*	(142)	(220)	(124)	(603)	(738)
Pre-tax Income Margin (%)	Operational	(8.2%)	(10.0%)	(4.4%)	(6.4%)	(7.3%)
	Reported*	(10.6%)	(12.4%)	(6.0%)	(8.3%)	(9.6%)

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

Appendix

- Financial Summary
- Condensed Consolidated Income Statement
- Condensed Consolidated Balance Sheet
- Condensed Consolidated Cash Flow Statement
- Q4FY18 Performance by Geography
- FY18 Performance by Geography

Financial Summary

US\$ Million	FY2017/18	Y/Y%	Q4 FY2017/18	Q4 FY2016/17	Y/Y%	Q/Q%
Revenue	45,350	5%	10,638	9,579	11%	(18%)
Gross Profit	6,272	3%	1,544	1,368	13%	(12%)
Operating Expenses	(5,885)	8%	(1,443)	(1,294)	11%	(7%)
Operating Profit	387	(42%)	101	74	36%	(51%)
Other Non-Operating Expenses	(234)	28%	(64)	(59)	9%	19%
Pre-tax Income	153	(69%)	37	15	143%	(75%)
Taxation	(280)	N/A	12	89	(87%)	N/A
Profit for the period	(127)	N/A	49	104	(53%)	N/A
Non-controlling interests	(62)	N/A	(16)	3	N/A	14%
Profit attributable to Equity Holders	(189)	N/A	33	107	(69%)	N/A
EPS (US cents)						
- Basic	(1.67)	N/A	0.28	0.97	(0.69)	N/A
- Diluted	(1.67)	N/A	0.28	0.97	(0.69)	N/A
Dividend per share (HK cents)	26.50					
	FY2017/18	FY2016/17	Q4 FY2017/18	Q4 FY2016/17	Q3 FY2017/18	
Gross margin	13.8%	14.2%	14.5%	14.3%	13.5%	
E/R ratio	13.0%	12.6%	13.6%	13.5%	12.0%	
Operating margin	0.9%	1.6%	0.9%	0.8%	1.6%	
PTI margin	0.3%	1.1%	0.3%	0.2%	1.2%	
Net margin attributable to Equity Holders	-0.4%	1.2%	0.3%	1.1%	-2.2%	

Condensed Consolidated Income Statement

<i>US\$ Million</i>	FY2017/18	FY2016/17	Q4 FY2017/18	Q4 FY2016/17
Revenue	45,350	43,035	10,638	9,579
Cost of sales	(39,078)	(36,931)	(9,094)	(8,211)
Gross profit	6,272	6,104	1,544	1,368
Other income-net	-	11	-	-
Selling and distribution expenses	(2,832)	(2,681)	(631)	(658)
Administrative expenses	(1,757)	(1,851)	(457)	(509)
Research and development expenses	(1,274)	(1,361)	(327)	(338)
Other operating (expense)/income - net	(22)	450	(28)	211
Operating profit	387	672	101	74
Finance income	32	28	8	10
Finance costs	(263)	(232)	(72)	(68)
Share of (loss)/profit of associated companies and joint ventures	(3)	22	-	(1)
Profit before taxation	153	490	37	15
Taxation	(280)	41	12	89
(Loss)/Profit for the year/period	(127)	531	49	104
(Loss)/Profit attributable to:				
Equity holders of the company	(189)	535	33	107
Perpetual securities holders	53	2	14	2
Other non-controlling interests	9	(6)	2	(5)
Dividend	399	378	-	-
(Loss)/Earnings per share (US cents)				
- Basic	(1.67)	4.86	0.28	0.97
- Diluted	(1.67)	4.86	0.28	0.97

Condensed Consolidated Balance Sheet

US\$ Million

	As at Mar 31, 2018	As at Mar 31, 2017
Non-current assets	12,831	12,318
Property, plant and equipment	1,305	1,236
Intangible assets	8,514	8,349
Others	3,012	2,733
Current assets	15,663	14,868
Bank deposits and cash	1,932	2,951
Trade, notes and other receivables	9,687	8,870
Inventories	3,792	2,794
Others	252	253
Current liabilities	19,460	18,334
Borrowings	1,167	70
Trade, notes, other payables, accruals and provisions	16,471	17,364
Others	1,822	900
Net current liabilities	(3,797)	(3,466)
Non-current liabilities	4,488	4,757
Total equity	4,546	4,095

Condensed Consolidated Cash Flow Statement

US\$ Million	FY2017/18	FY2016/17	Q4 FY2017/18	Q4 FY2016/17
Net cash (used in)/generated from operating activities	(756)	2,120	(753)	(26)
Net cash used in investing activities	(1,113)	(1,398)	(173)	(1,091)
Net cash generated from financing activities	874	145	1,072	1,319
(Decrease)/Increase in cash and cash equivalents	(995)	867	146	202
Effect of foreign exchange rate changes	88	(39)	42	29
Cash and cash equivalents at the beginning of the period	2,755	1,927	1,660	2,523
Cash and cash equivalents at the end of the period	1,848	2,755	1,848	2,755

Q4FY18 Performance by Geography

China

- **PCSD:** Revenue continued show momentum via innovative products and channel enhancement
- **Data Center:** Returned to YTY rev growth with margin improvement for the 2nd consecutive quarter
- **Mobile:** Launched Lenovo S5

AP

- **PCSD:** Strong double-digit YTY revenue growth with share gain
- **Data Center:** Strong revenue rebound of double-digit YTY growth for the 2nd consecutive quarter
- **Mobile:** Faced intense competition, decisive actions to only focus on markets with healthy growth potentials going forward

EMEA

- **PCSD:** Strong double-digit YTY revenue growth driven by commercial demand
- **Data Center:** Revenue continued to grow YTY for 4th consecutive quarter driven by high growth segments (HPC, SDI and Hyperscale)
- **Mobile:** Decisive actions to only focus on markets with healthy growth potentials going forward

AG (Americas)

- **PCSD:** Return to double digit revenue growth with margin expansion thanks to better product mix especially in NA
- **Data Center:** Revenue continued to grow YTY for 4th consecutive quarter driven by high growth segments (HPC, SDI and Hyperscale)
- **Mobile:** LA remained the strong core with strong profitability; continued to strengthen presence with mainstream models & carrier expansion in NA

	Revenue US\$ Million			Segment Pretax Income/(Loss) US\$ Million			Segment Pretax Income/(Loss) Profit Margin		
	Q4 FY18	Y/Y	Q/Q	Q4 FY18	Q4 FY17	Q3 FY18	Q4 FY18	Q4 FY17	Q3 FY18
China	2,442	161	(1,108)	156	64	204	6.4%	2.8%	5.7%
AP	1,740	7	(76)	(20)	(43)	(60)	(1.1%)	(2.5%)	(3.3%)
EMEA	3,047	423	(533)	(9)	(120)	(11)	(0.3%)	(4.6%)	(0.3%)
AG	3,409	468	(584)	63	60	26	1.8%	2.0%	0.7%

FY18 Performance by Geography

China

- **PCSD:** Focus on revamping the channel and product mix improvement to mitigate the slow market and component cost hike
- **Data Center:** Signs of stabilization thanks to sales capability build and improved competitiveness in hyperscale segment
- **Mobile:** Continued to refine its product and channel strategy to seek healthy growth

AP

- **PCSD:** Double digit revenue growth with margin expansion
- **Data Center:** Continued to execute its transformation actions and saw early signs of stabilization in the 2FH
- **Mobile:** Faced server competition and adjusted its strategy

EMEA

- **PCSD:** Double digit revenue growth with margin expansion
- **Data Center:** Double digit revenue growth with margin expansion thanks to strong performance from Hyperscale, SDI and HPC segments
- **Mobile:** Adjusted its strategy to its business exposure in 2FH resulted a slow performance

AG (Americas)

- **PCSD:** Slower shipment performance due to channel adjustment in 1FH in NA market while component cost hike in the year limited its margin performance
- **Data Center:** Double digit revenue growth with margin expansion thanks to strong performance from Hyperscale, SDI and HPC segments
- **Mobile:** Double digit revenue growth thanks to its strong performance in LA, Strong shipment growth in NA in 2FH

YTD	Revenue US\$ Million			Segment Pretax Income/(loss) US\$ Million		Segment Pretax Income Profit Margin	
	FY17	FY18	Y/Y	FY17	FY18	FY17	FY18
China	11,795	11,525	(270)	539	558	4.6%	4.8%
AP	7,012	7,156	144	(65)	(134)	-0.9%	-1.9%
EMEA	11,187	12,482	1,295	(337)	(62)	-3.0%	-0.5%
AG	13,041	14,186	1,145	157	72	1.2%	0.5%

thanks.

Different is better

