

Q1FY18/19 Earnings Announcement



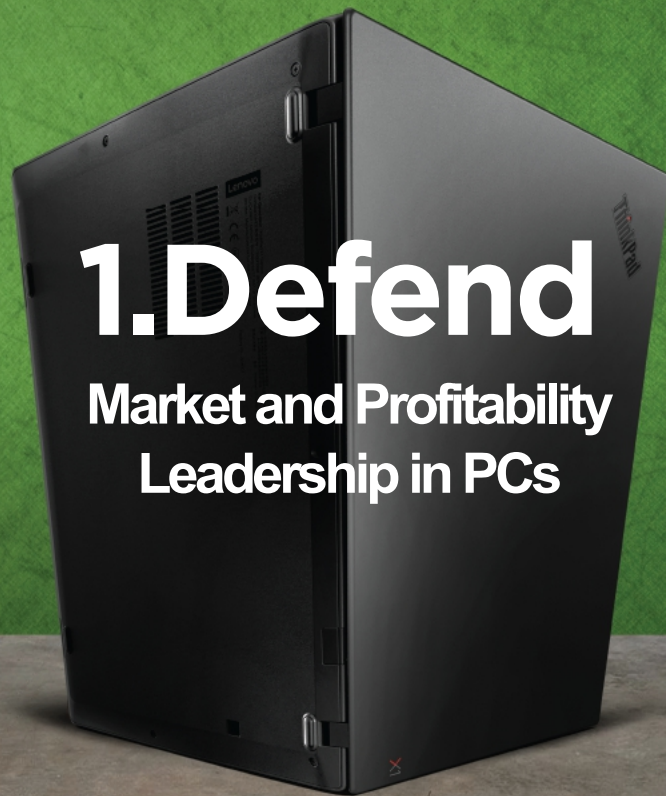
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Yuanqing Yang

Chairman & CEO





1. Defend

Market and Profitability
Leadership in PCs



2. Build

Build Mobile & Data Center into
New Profit & Growth Engines

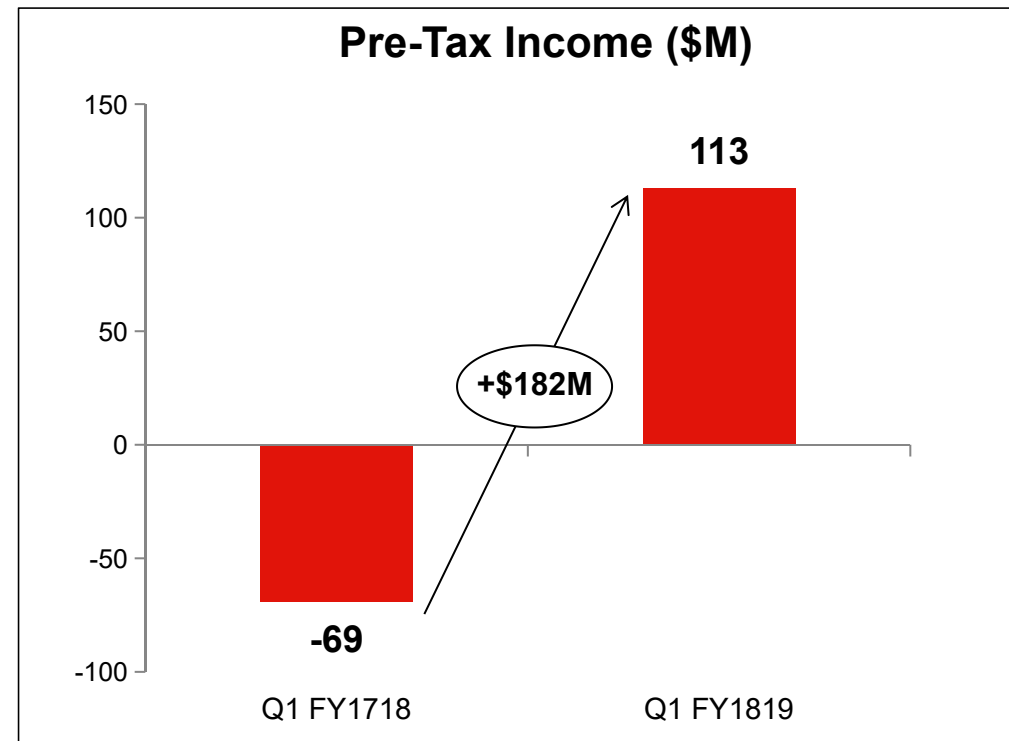
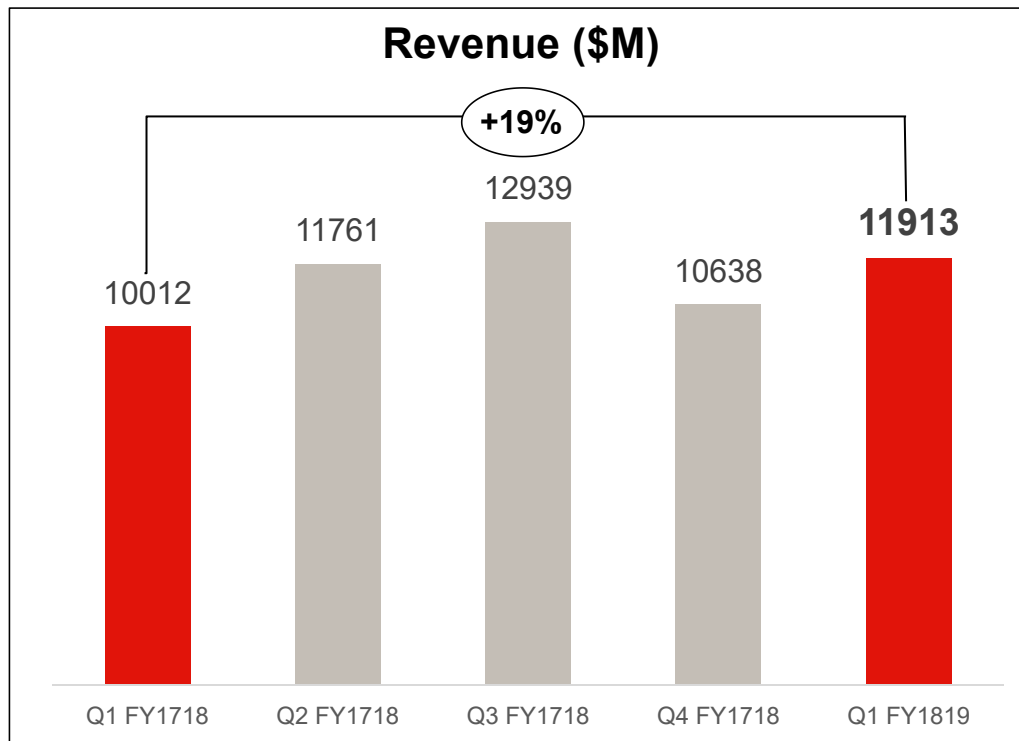


3. Invest

Invest in SloT+Cloud, and
Infrastructure+Cloud

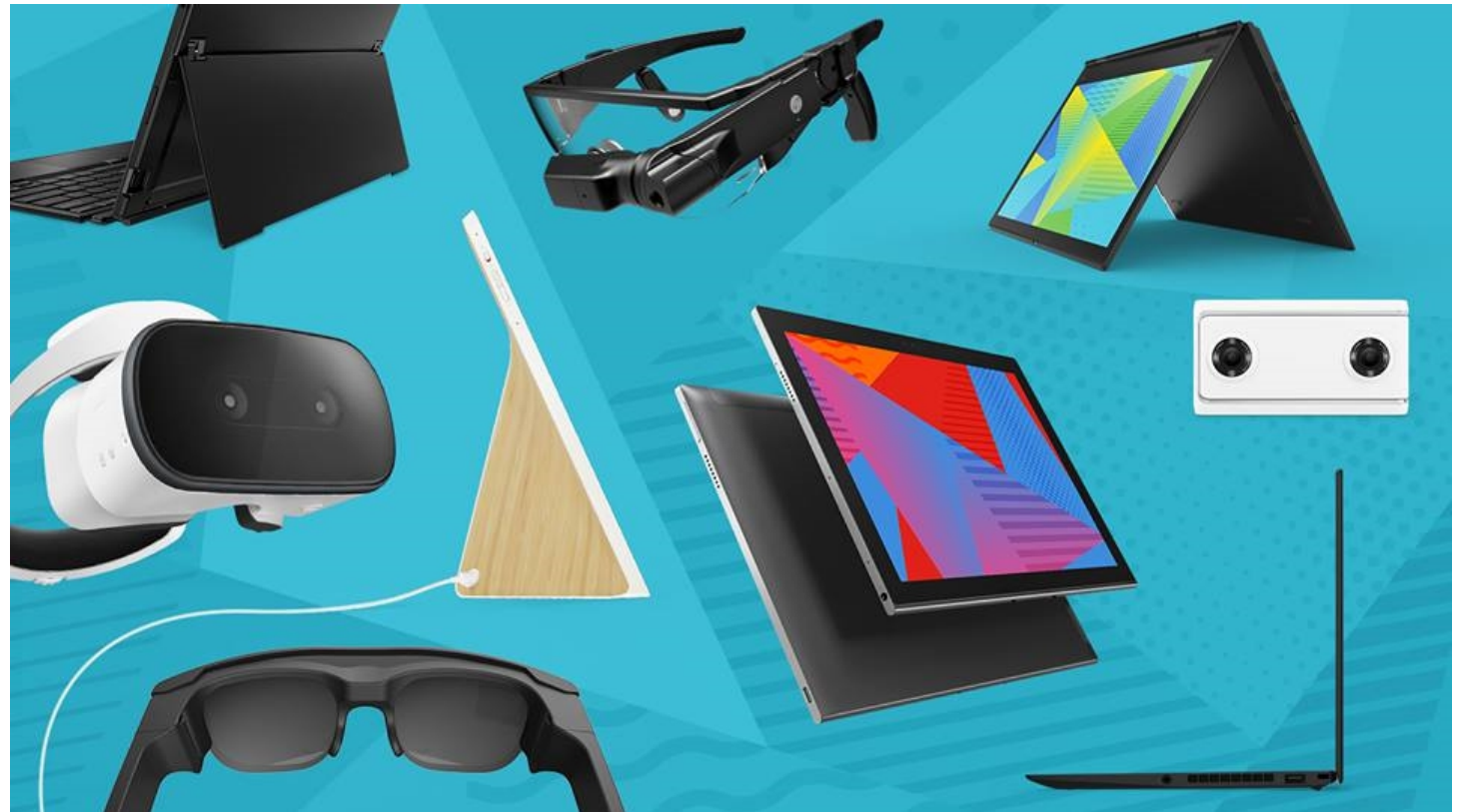
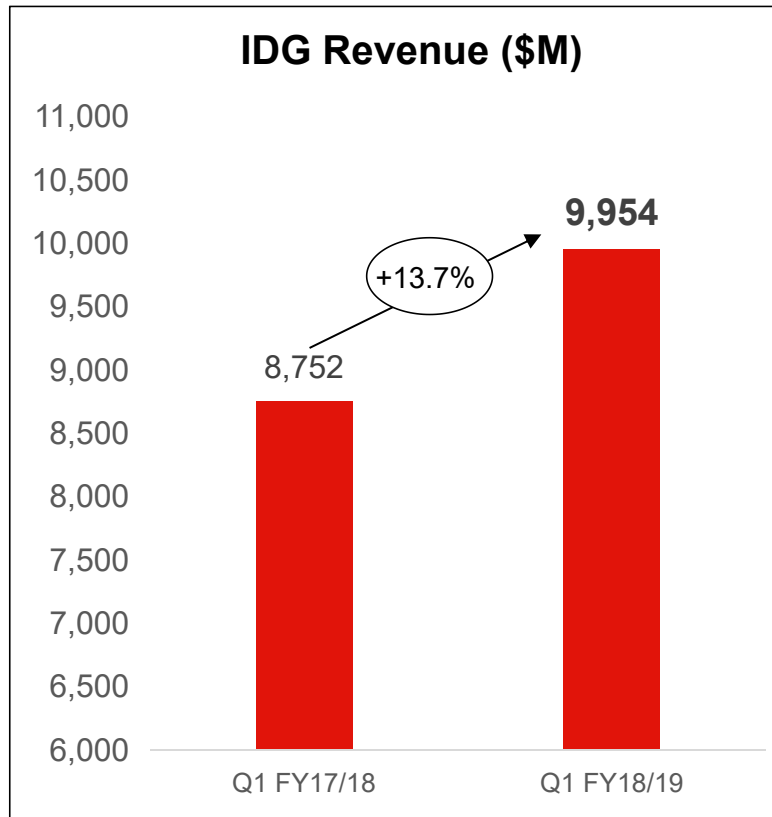
New Phase of Growth

- Revenue: **\$11.91 billion**, up **19%** year-on-year, second straight quarter saw strong, double-digit growth
- Pre Tax Income: **\$113 million**, up **\$182 million** year-on-year
- Profitability improved across all businesses
 - PTI Margin year-on-year improvement: PCSD +0.8pts, MBG +4.0pts, DCG +11pts



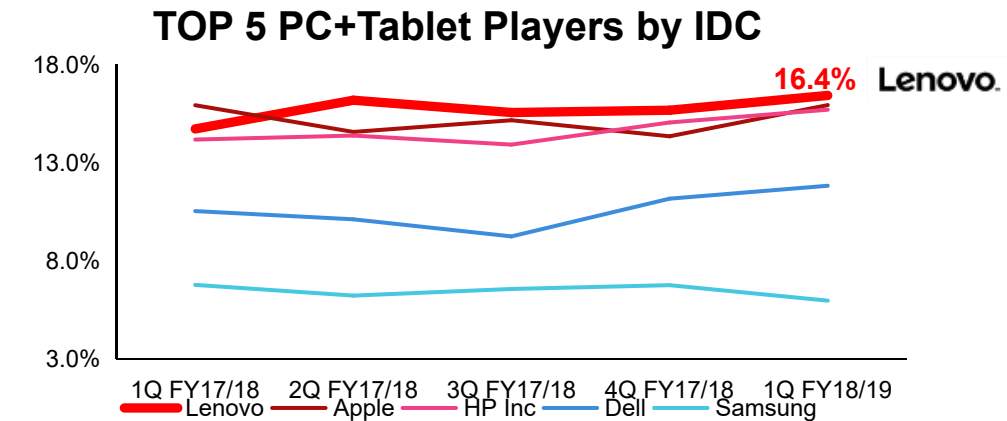
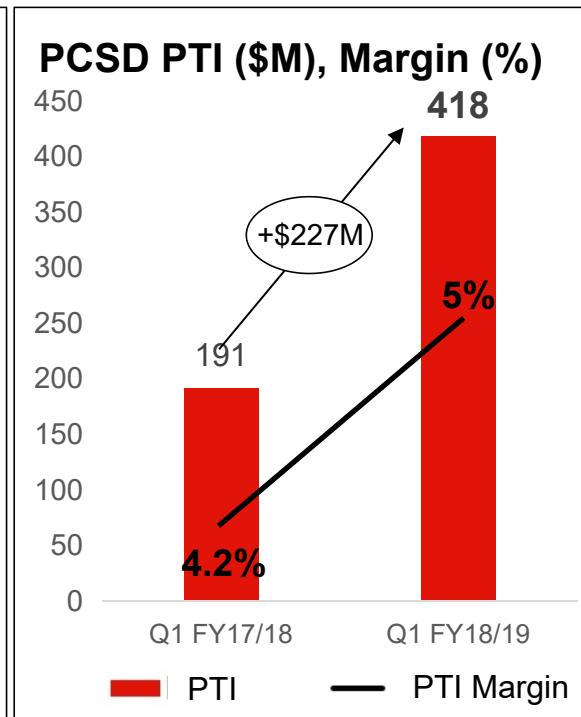
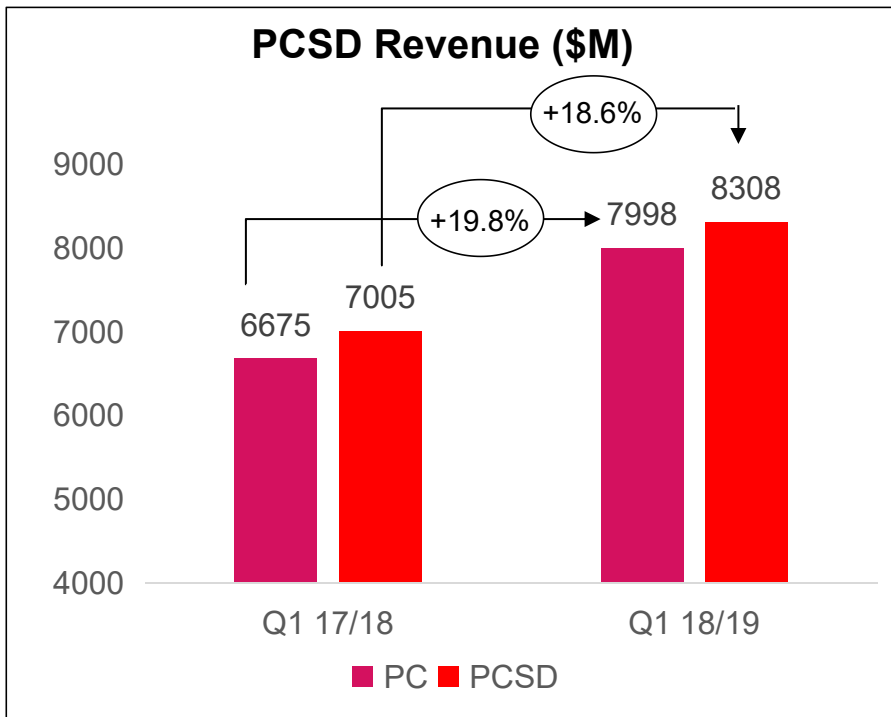
New Intelligent Devices Group

- Revenue and profitability improved year-on-year, energized by synergies from shared platforms, resources
- Committed to driving convergence of Computing & Communication technologies to enable Smart IoT



Wave 1: PC + Tablet

- Continued strong double-digit growth for the 2nd consecutive quarter, while maintaining leading profitability of **5%**
 - #1 in PC+Tablet by IDC
 - Fastest growing among the top-5 PC player, worldwide **#1** in PC by Gartner
 - PC Revenue grew **19.8%** year-on-year



Company	2Q18 Shipments	2Q18 Market Share (%)	2Q17 Shipments	2Q17 Market Share (%)	2Q18-2Q17 Growth (%)
Lenovo*	13,601	21.9	12,310	20.1	10.5
HP Inc.	13,589	21.9	12,809	20.9	6.1
Dell	10,458	16.8	9,553	15.6	9.5
Apple	4,395	7.1	4,266	7.0	3.0
Acer Group	3,969	6.4	3,851	6.3	3.1

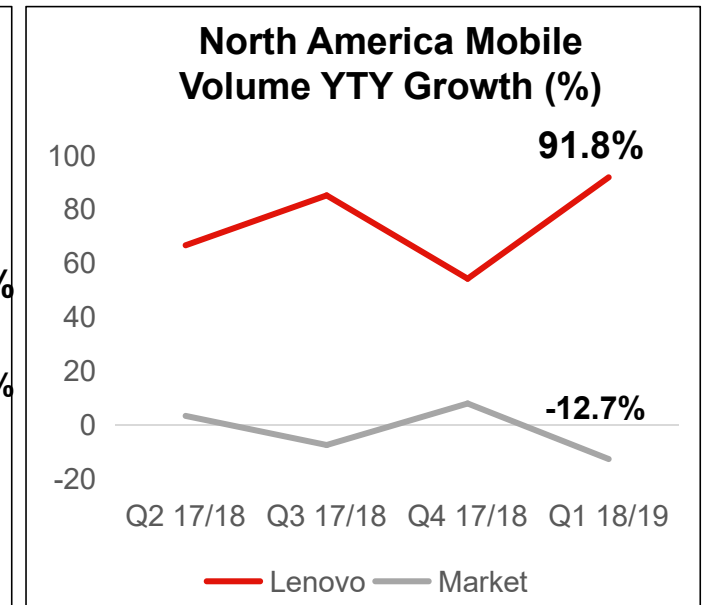
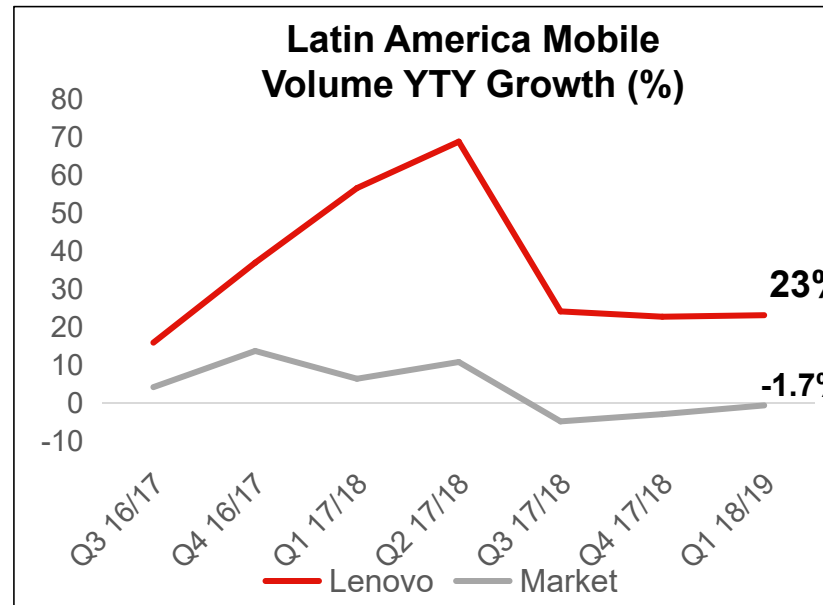
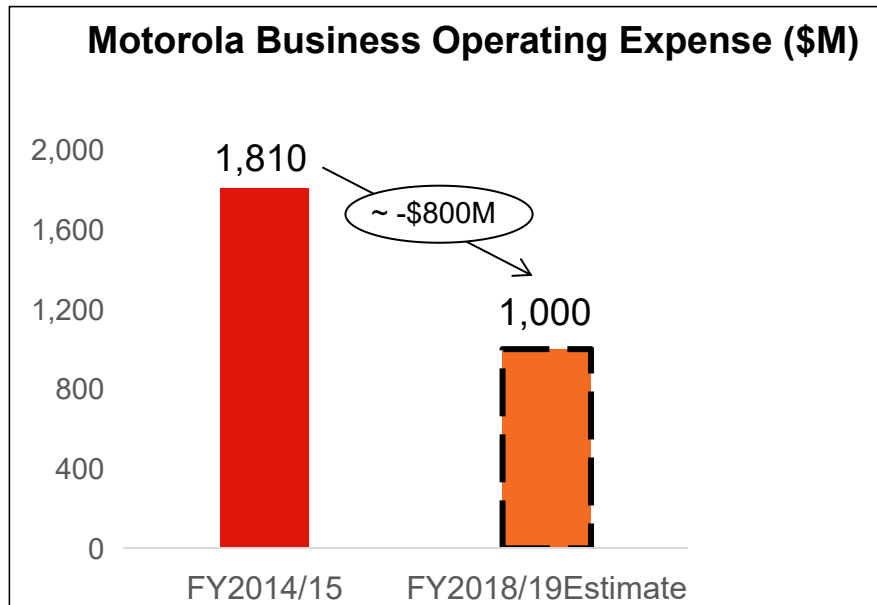
Wave 1: PC + Tablet

- Will drive sustainable premium to market growth
 - Sharpen customer engagement through direct routes to markets
 - Invest in high-growth segments
 - Strengthen focus on premium products



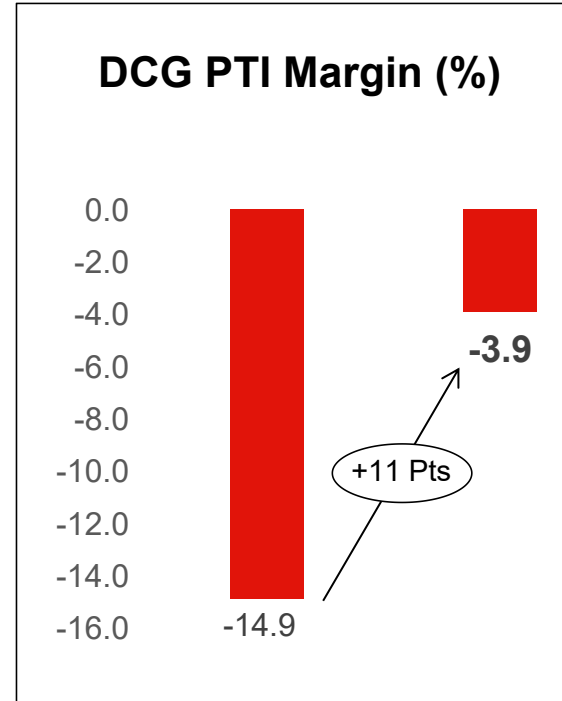
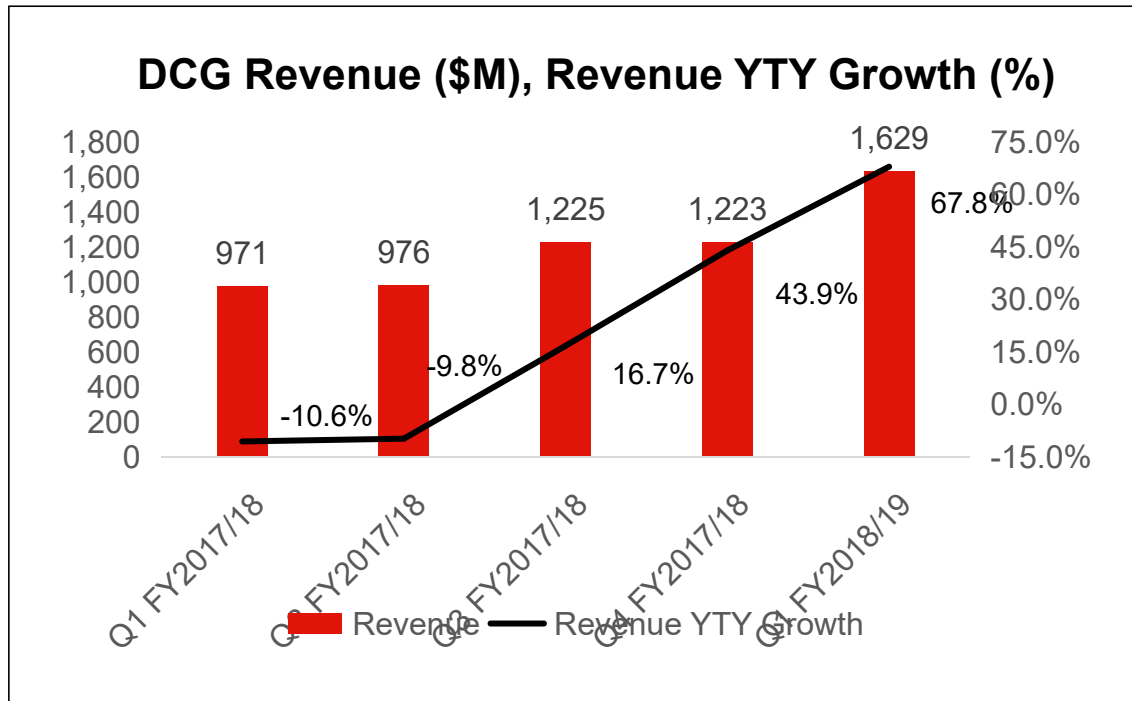
Wave 2: Mobile

- Execution of the clear strategy improved business health
 - Reduced operating expenses by **\$105 million** year-on-year; On track to reduce the annual operating expense of Motorola business to below **\$1Bn**
 - Refined product portfolio; Successful launch of Moto G6, Moto E5
 - Focused on selected markets(Latin America, Mature Markets, China/India)
 - Investing in Innovation: Launched Moto Z3 - the first 5G upgradable phone, the 5G Mod scheduled to ship early 2019



Wave 2: Data Center

- On track to become a sustainable, profitable growth engine; Revenue grew **67.8%** year-on-year; Profitability improved **11 points** year-on-year
- Hyperscale and Software Defined revenue grew by triple-digits year-on-year
- HPC: **#1** supercomputer provider on TOP500 list, with **117** systems



Wave 2: Data Center

- Further improve Hyperscale business model
- Strengthen the leadership in High Performance Computing & A.I.
- Grow storage and networking
- Drive service attach and revenue growth
- Expand into growing markets like NFV and Edge computing



Wave 3: Smart IoT+Cloud, Infrastructure+Cloud

- Shipping new Smart Devices in the U.S. with positive feedback
- Service and Software revenue reached **\$459 million**
 - Consumer smart IoT based services started delivering revenue
 - Smart Office provided key wins
 - Device-as-a-Service acquired large deals in Asia Pacific
 - Providing vertical intelligent solutions
 - Piloting commercial IoT based industry solutions



Lenovo Smart Display



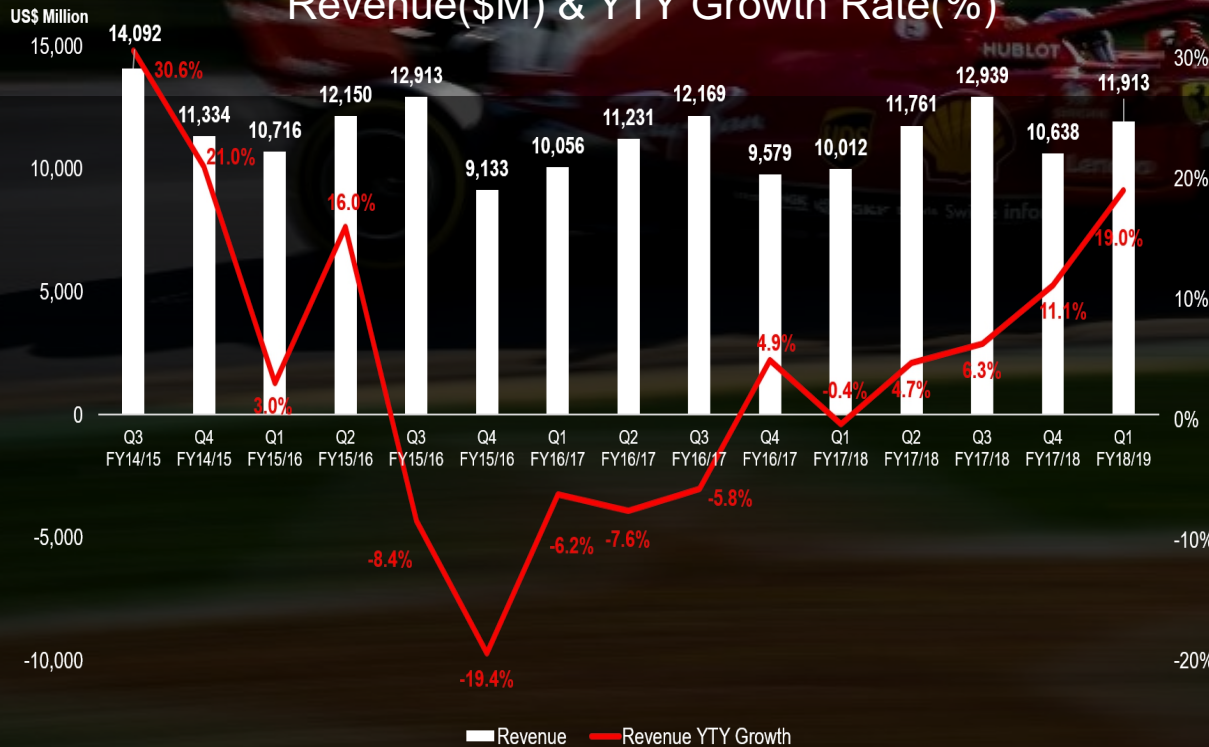
Mirage Solo VR Headset



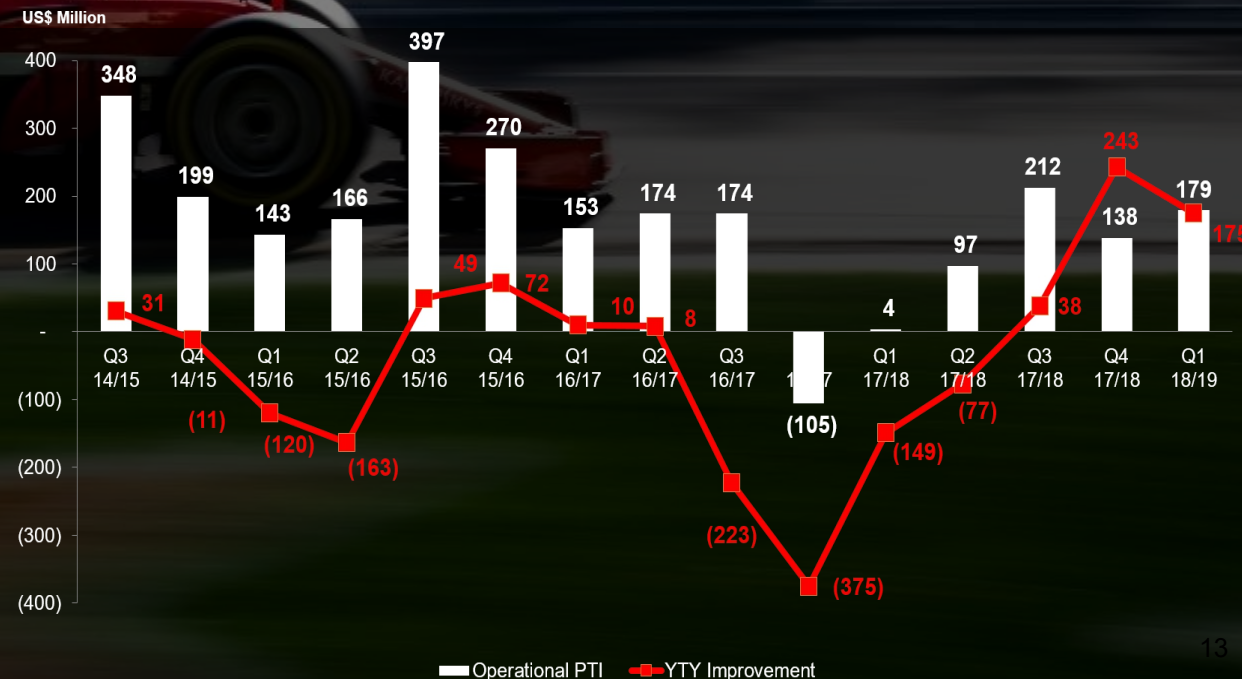
Mirage VR Camera

Having turned the corner, Lenovo is accelerating with all cylinders fired up.

Revenue(\$M) & YTY Growth Rate(%)



Operational PTI(\$M) & YTY Improvement(\$M)



Source: Internal Data

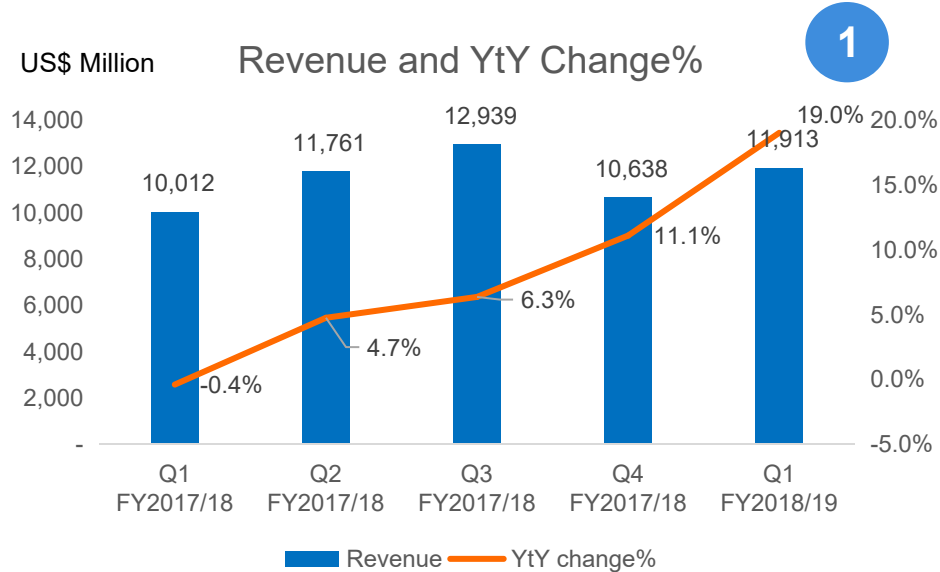
Wong Wai Ming

Chief Financial Officer



Income Statement Highlights

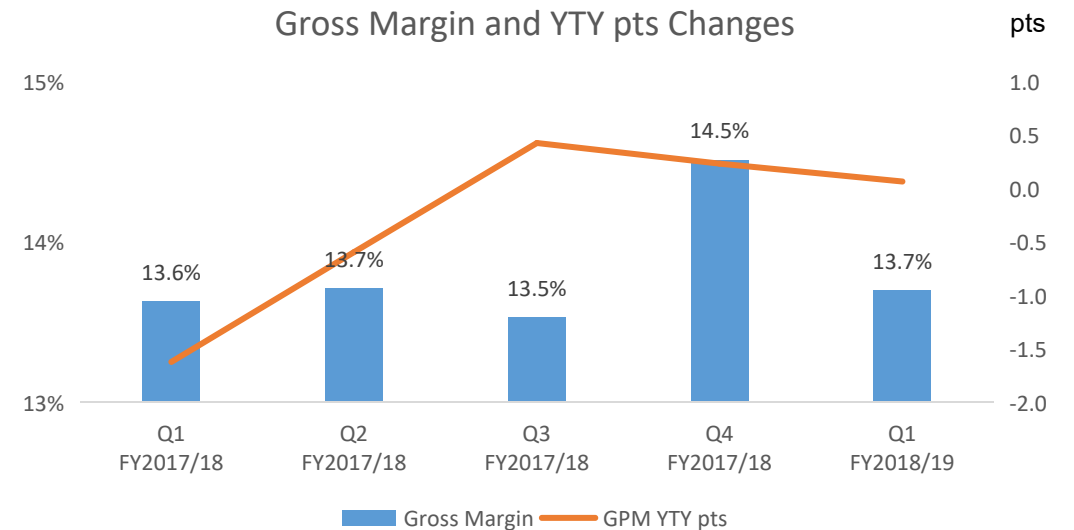
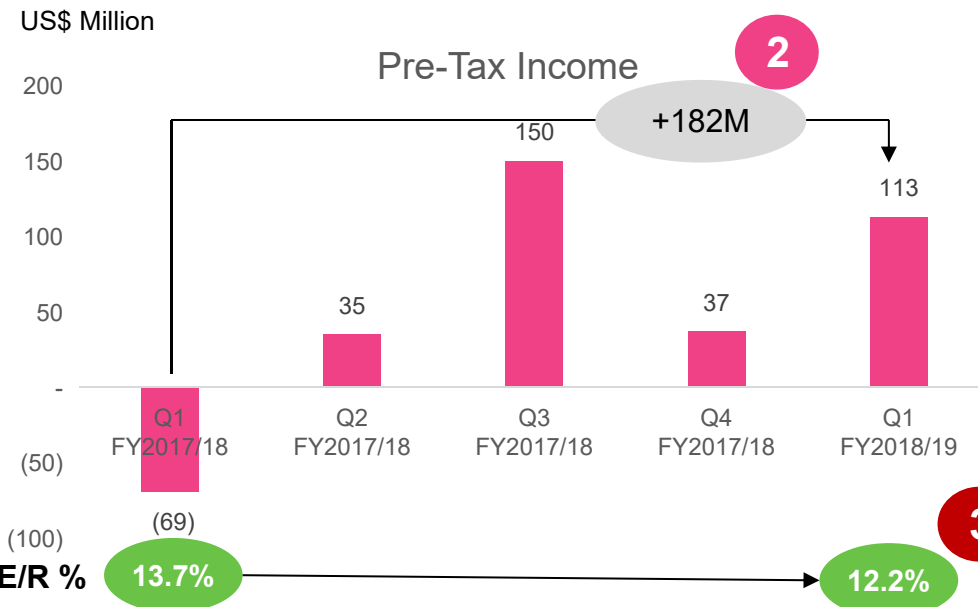
Q1 Highlights



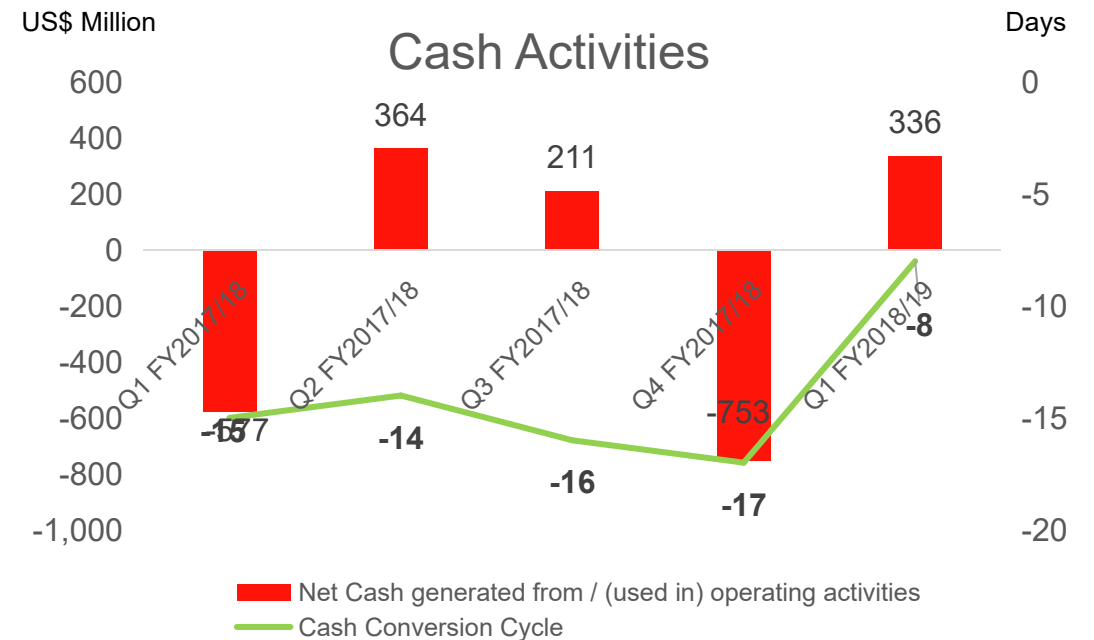
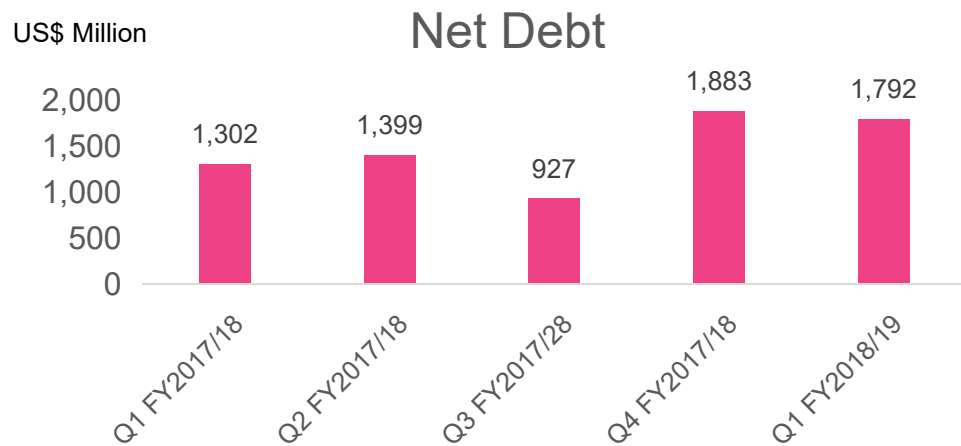
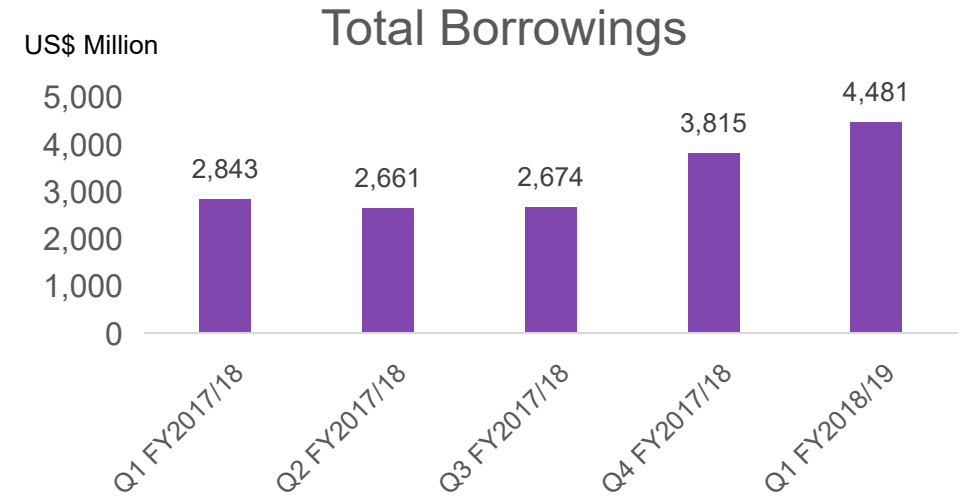
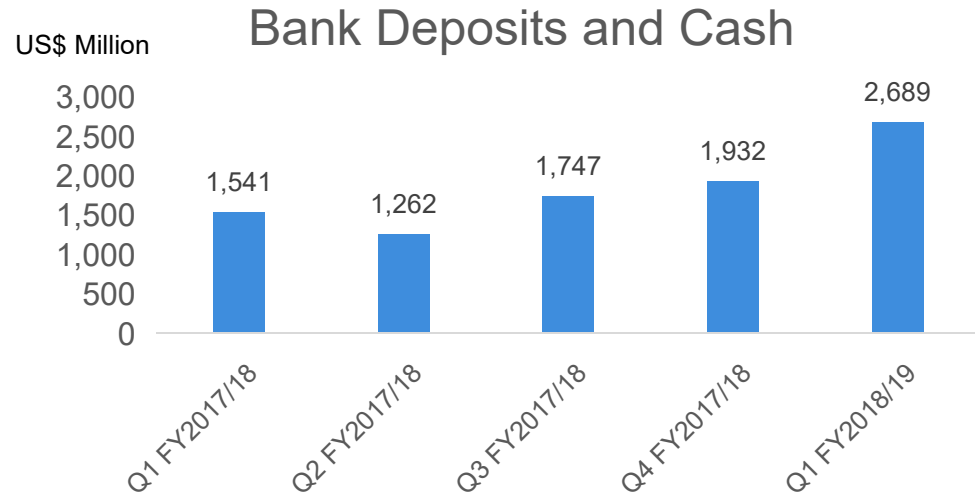
1 Group achieved record high first FQ group revenue; Q1FY19 grew 19% YTY, the 4th consecutive quarter of YTY growth

2 Group Reported PTI improved \$182M YTY, representing consistent YTY improvement for 3rd consecutive quarter

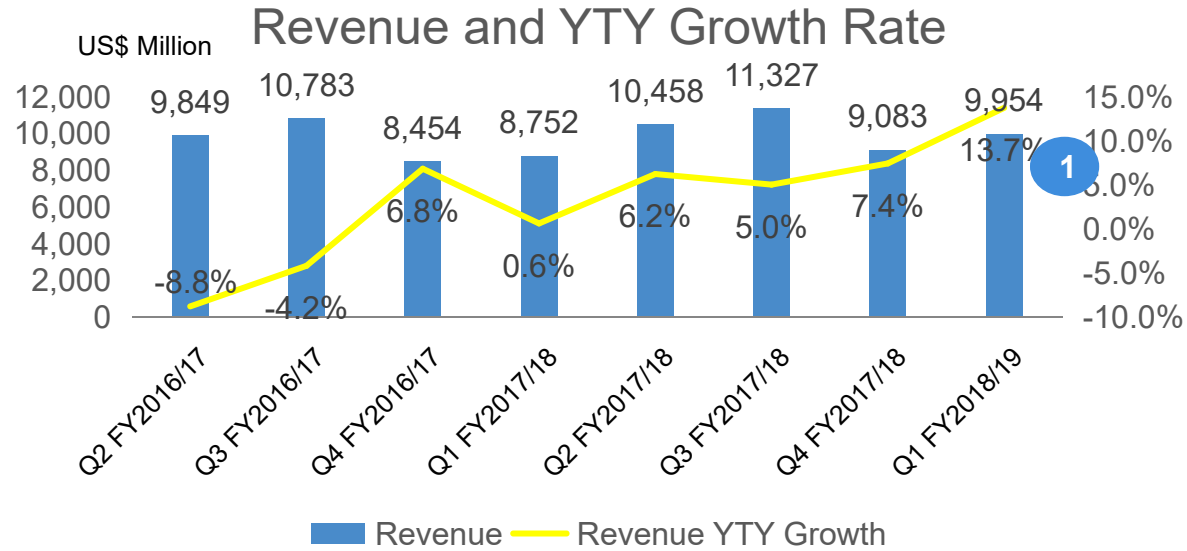
3 Expense to Revenue ratio declined YTY from 13.7% to 12.2%



Cash and Working Capital

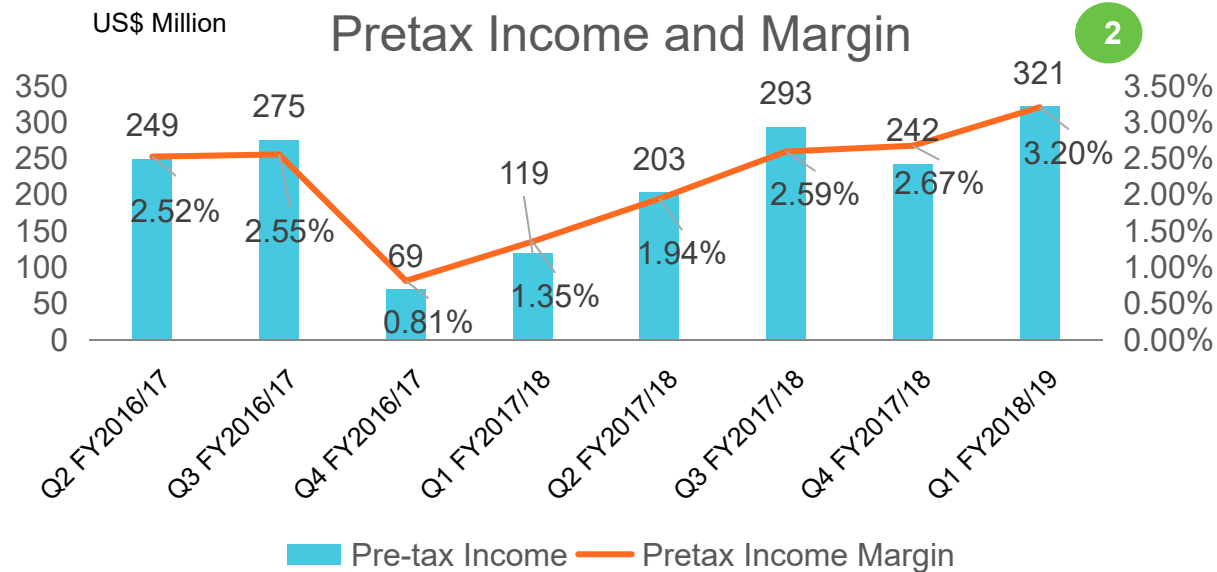
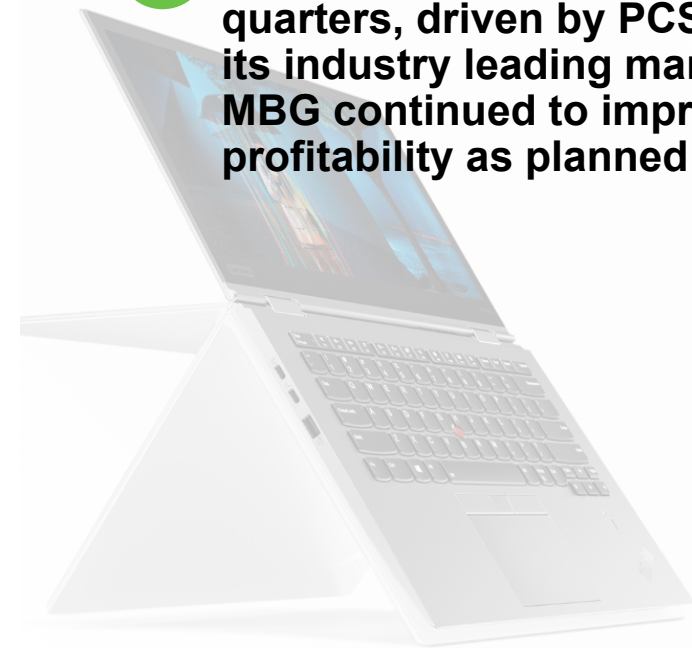


Intelligent Devices Business Group (IDG)

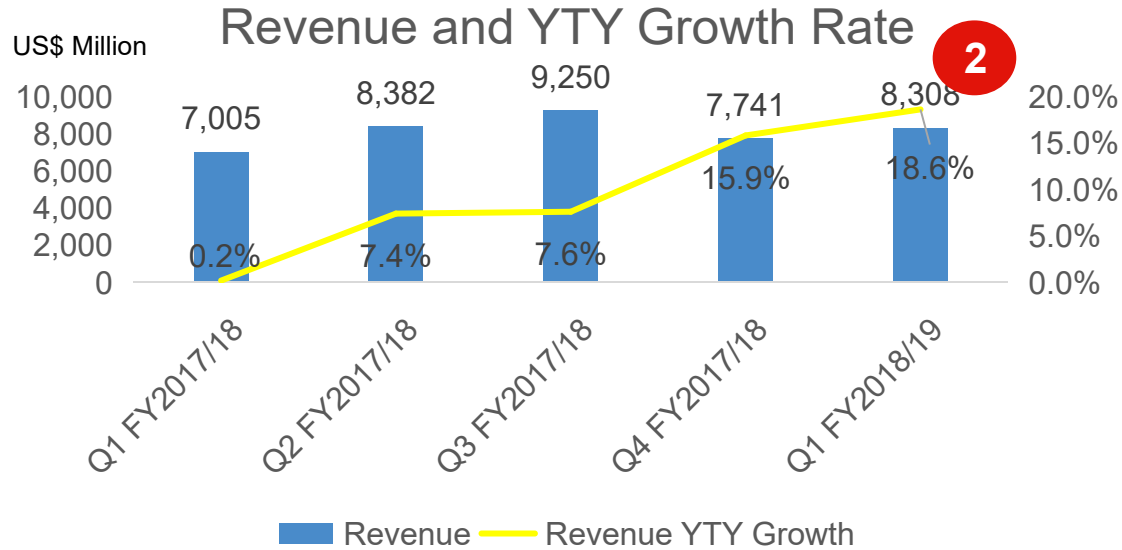


Q1 Highlights

- 1 Strong double-digit revenue growth driven by strong PC demand**
- 2 PTI % improved YTY for 3 consecutive quarters, driven by PCSD maintaining its industry leading margin of 5% and MBG continued to improve its profitability as planned**

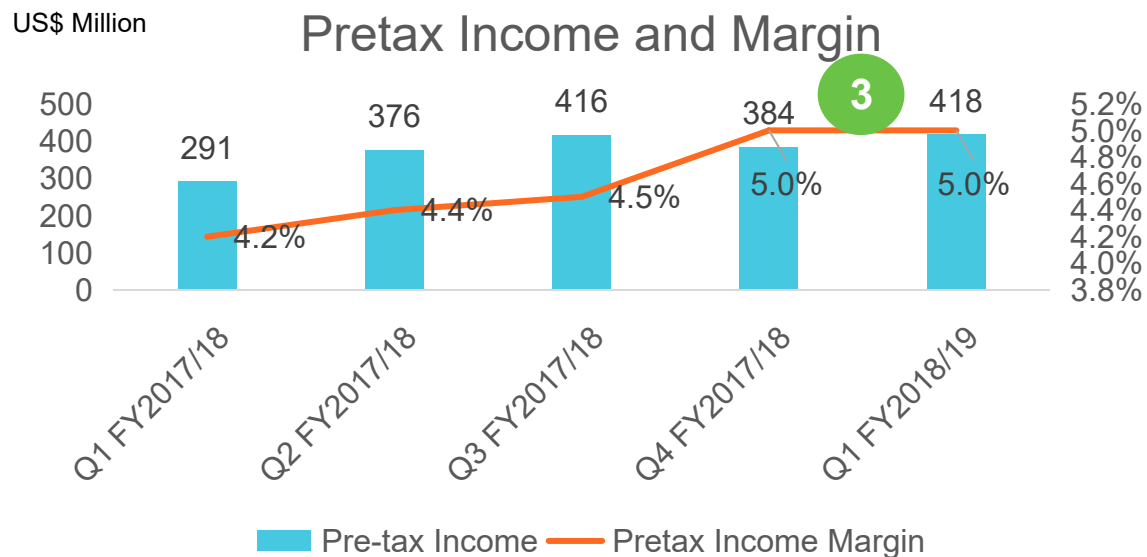


IDG - PC & Smart Device Business Group (PCSD)

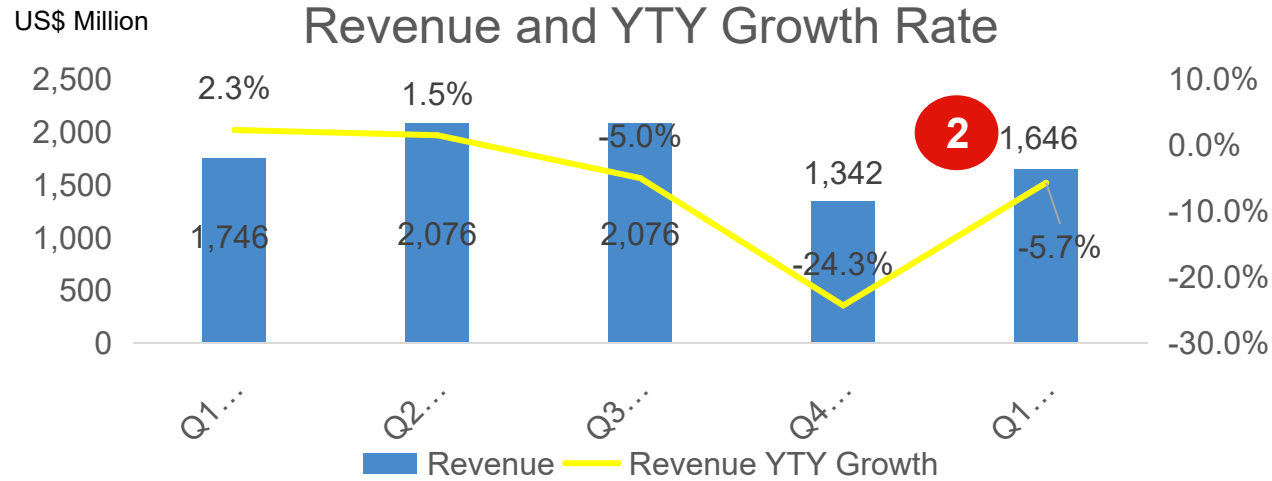


Q1 Highlights

- 1 PCSD delivered another strong quarter in double digit revenue growth driven by the consistent strategy of targeting high growth premium segments
- 2 Strong double-digit revenue growth for 2nd consecutive quarter, premium to market revenue growth of 13 pts YTY
- 3 Maintained industry leading PTI margin at 5.0%, driven by improved product mix and improved service attached rate
- 4 Device+ gained traction, paving ways for ecosystem expansion

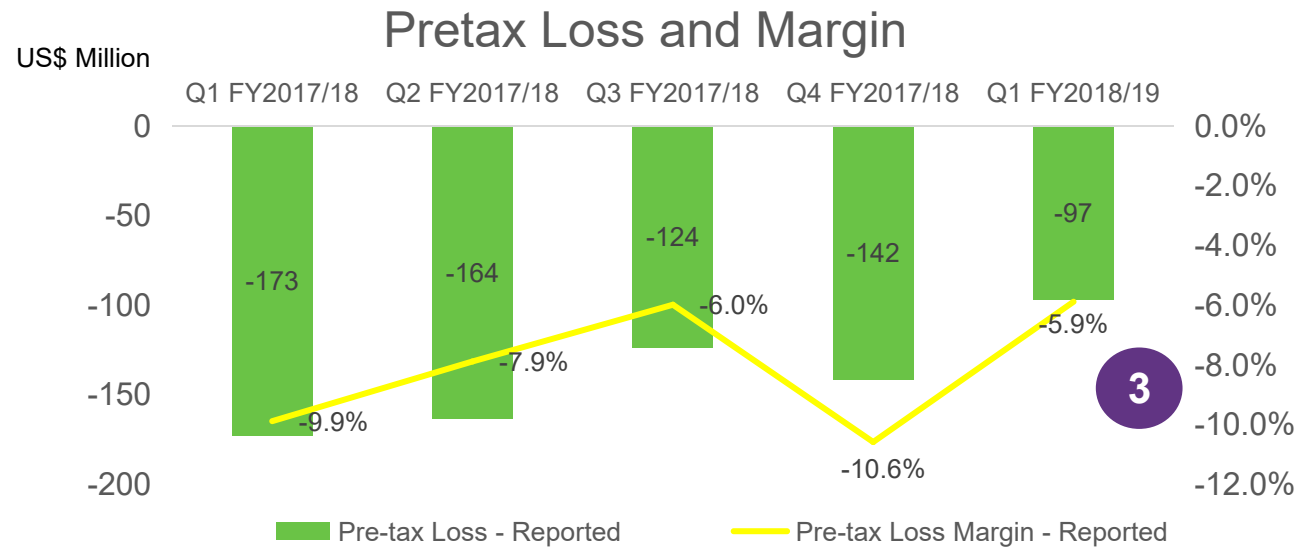


IDG - Mobile Business Group (MBG)

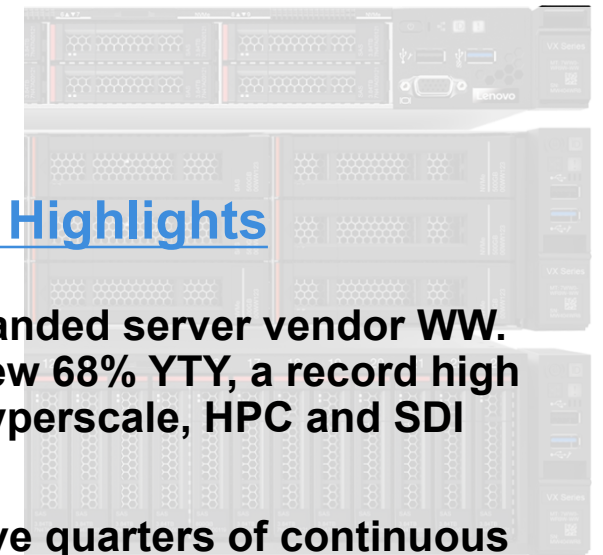


Q1 Highlights

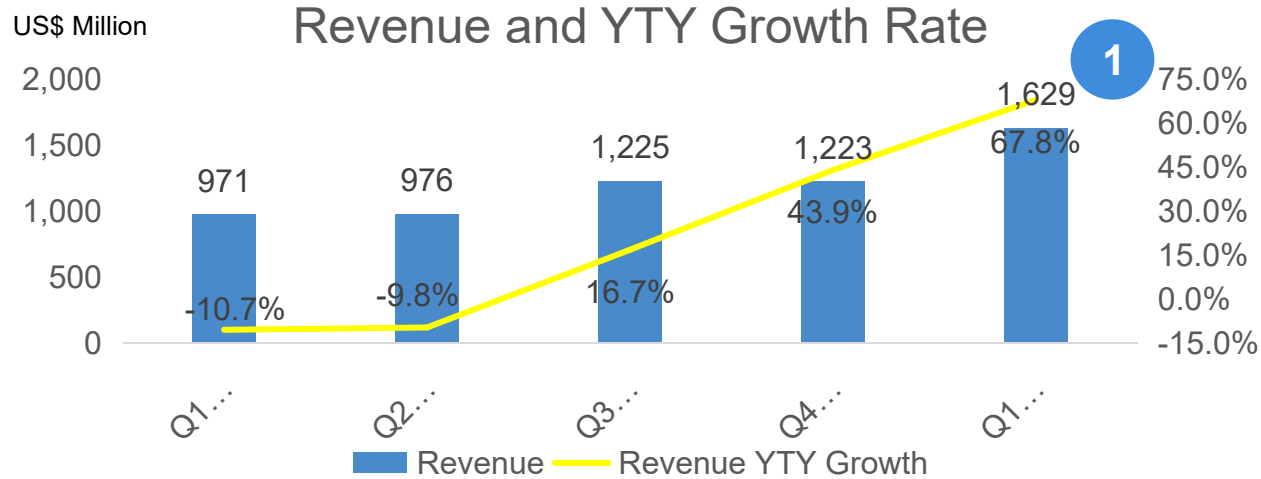
- 1 Strong execution of turnaround strategy to improve profitability**
- 2 LA & NA continued to show strong momentum; Repositioning in Emerging Markets while clearing inventory**
- 3 Expense reduction is well executed; resulting in more efficient cost structure and improved PTI margin**
- 4 Streamlined product portfolio to reduce complexity, focused on scale in the mainstream segments, i.e. Moto Z, G & E**



Data Center Business Group (DCG)



Q1 Highlights

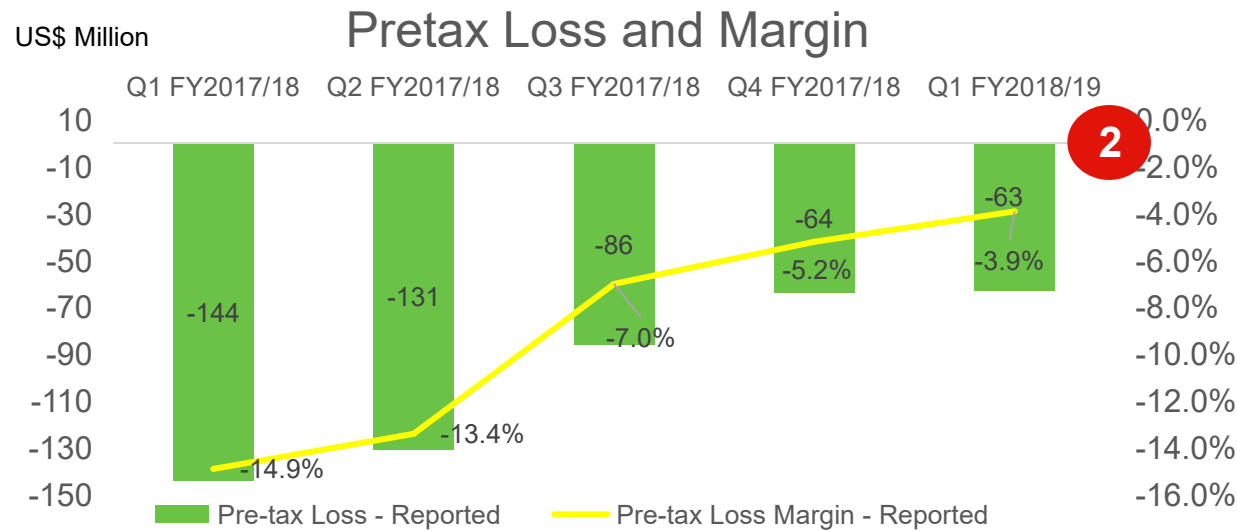


1 The No.4 branded server vendor WW. Revenue grew 68% YTY, a record high driven by Hyperscale, HPC and SDI

2 5 consecutive quarters of continuous QTQ PTI margin improvement

3 Stellar result is the culmination of right business model, product leadership, sales capabilities

- Triple digit revenue growth in NA and the other 4 GEOs double digit, all region's profitability improved



Outlook

- **IDG-PCSD:**
 - Continue to drive premium to market revenue growth while maintain industry-leading profitability
- **IDG-MBG:**
 - Continue to execute the strategy of reducing complexity, streamlining portfolio, drive a more competitive cost structure, and continue to significantly reduce operational loss QTQ & YTY.
 - Focus on driving profitable growth from core markets such as in Latin America and North America, strengthen presence in Mature Markets
 - Continue to invest in innovation, such as the new moto Z - the first 5G upgradable phone
- **DCG:**
 - Outgrow the market in Software Defined Infrastructure
 - Strengthen leadership position in High Performance Computing and AI
 - Invest in service, storage and networking to drive future growth
 - Continue to expect momentum in Hyperscale
- **Wave 3 – Device +:**
 - Continue to drive Wave 3 transformation, grow Software & Services revenue, step up in customer engagement and accelerate SloT + cloud & infrastructure + cloud expansion

Appendix

- Financial Highlights
- Summary : “PTI (As Reported) ” vs “PTI Before Non-Cash M&A Related Accounting Charges and One-time Gain/Charge”
- Condensed Consolidated Income Statement
- Condensed Consolidated Balance Sheet
- Condensed Consolidated Cash Flow Statement

Financial Highlights

- **Transformation efforts showing consistent and accelerated results improvement:**
 - Group revenue of US\$12B, up 19% YTY & PTI of US\$113M, the 3rd consecutive quarter of YTY improvement
- **First quarter of IDG: Synergy from shared platform and infrastructure to expand the ecosystem, delivered double-digit revenue growth and profit improvement**
 - PCSD strong revenue growth and PTI margin stays at 5% level
 - MBG loss-reduction on track with good momentum in core markets in Latin America and North America
- **Data Center Group continued strong revenue YTY growth – the 3rd consecutive quarter of double-digit YTY growth**

US\$ Million	Q1 FY2018/19	Q1 FY2017/18	Y/Y%	Q4 FY2017/18	Q/Q%
Revenue	11,913	10,012	19%	10,638	12%
Gross Profit	1,632	1,365	20%	1,544	6%
Operating Expenses	(1,452)	(1,371)	6%	(1,443)	1%
Operating Profit	180	(6)	N/A	101	79%
Pre-tax Income	113	(69)	N/A	37	206%
Profit attributable to Equity Holders	77	(72)	N/A	33	136%
EPS (US cents) - Basic	0.65	(0.66)		0.28	

	Q1 FY2018/19	Q1 FY2017/18	Q4 FY2017/18
Gross margin	13.7%	13.6%	14.5%
E/R ratio	12.2%	13.7%	13.6%
Operating margin	1.5%	-0.1%	0.9%
PTI margin	0.9%	-0.7%	0.3%
Net margin attributable to Equity Holders	0.6%	-0.7%	0.3%

+ Summary : “PTI (As Reported) ” vs “PTI Before Non-Cash M&A Related Accounting Charges and One-time Gain/Charge”

	Q1 FY18/19	Q1 FY17/18	Q4 FY17/18
Pre-tax Income (As-Reported)	113	-69	37
•Non-Cash M&A Related Accounting Charges	66	74	62
PTI Before Non-Cash M&A Related Accounting Charges	179	5	99
•One-time Restructuring Charge	-	-	39
PTI Before Non-Cash M&A Related Accounting Charges and One-time Gain/Charge	179	5	138

Condensed Consolidated Income Statement

<i>US\$ Million</i>	Q1 FY2018/19	Q1 FY2017/18
Revenue	11,913	10,012
Cost of sales	(10,281)	(8,647)
Gross profit	1,632	1,365
Selling and distribution expenses	(655)	(665)
Administrative expenses	(485)	(460)
Research and development expenses	(310)	(292)
Other operating (expense) / income - net	(2)	46
Operating profit/(loss)	180	(6)
Finance income	5	9
Finance costs	(71)	(72)
Share of loss of associates and joint venture	(1)	-
Profit/(loss) before taxation	113	(69)
Taxation	(28)	15
Profit/(loss) for the period	85	(54)
Profit /(loss) attributable to:		
Equity holders of the company	77	(72)
Perpetual securities holders	13	13
Other non-controlling interests	(5)	5
Earnings/(loss) per share (US cents)		
- Basic	0.65	(0.66)
- Diluted	0.65	(0.66)

Condensed Consolidated Balance Sheet

US\$ Million

	As at Jun 30, 2018	As at Mar 31, 2018
Non-current assets	12,665	12,831
Property, plant and equipment	1,262	1,305
Intangible assets	8,427	8,514
Others	2,976	3,012
Current assets	18,646	15,663
Bank deposits and cash	2,689	1,932
Trade, notes and other receivables	11,451	9,687
Inventories	4,125	3,792
Others	381	252
Current liabilities	23,015	19,460
Borrowings	1,842	1,167
Trade, notes, other payables, accruals and provisions	18,623	16,471
Others	2,550	1,822
Net current liabilities	(4,369)	(3,797)
Non-current liabilities	3,958	4,488
Total equity	4,338	4,546

Condensed Consolidated Cash Flow Statement

US\$ Million	Q1 FY2018/19	Q1 FY2017/18	Q4 FY2017/18
Net cash generated from/(used in) operating activities	336	(577)	(753)
Net cash used in investing activities	(198)	(744)	(173)
Net cash generated from/(used in) financing activities	692	(67)	1,071
Increase/Decrease in cash and cash equivalents	831	(1,388)	145
Effect of foreign exchange rate changes	(65)	20	43
Cash and cash equivalents at the beginning of the period	1,848	2,755	1,660
Cash and cash equivalents at the end of the period	2,613	1,387	1,848

thanks.

Different is better

