

LENOVO ANNOUNCES FOURTH QUARTER AND FULL YEAR 2016/17 RESULTS



- Good progress with new three-wave strategy in a year of transformation
- New end-to-end ownership model to help manage each business differently
- Fourth-Quarter revenue was US\$9.6 billion; Full-Year revenue was US\$43 billion
- Fourth-Quarter net income was US\$107 million; Full-Year net income was US\$535 million
- Full-year basic earnings per share of 4.86 US cents, or 37.71 HK cents

HONG KONG, May 25, 2017 – Lenovo Group today announced results for its fourth fiscal quarter and full-year ended March 31, 2017. In what was a year of significant transformation, Lenovo made good progress in implementing and executing its new “three-wave strategy,” designed to meet the critical business challenges of today, while positioning the Company for continued long-term profitable growth.

As part of Lenovo’s transformation, the Company put in place an aggressive new end-to-end ownership model to manage each business differently, led by strong new leaders, and is seeing improvements as a result.

“Despite challenging market conditions, Lenovo saw revenue resume to growth in the fourth quarter, after five quarters of decline,” said Yang Yuanqing, Lenovo Chairman and CEO. “To drive further growth, we have clearly defined the three-wave strategy. We will maintain PC leadership in scale, profitability and innovation in the first wave, while building our second wave, mobile and data center businesses into growth engines. Simultaneously, we will execute our third wave of “Device + Cloud” and “Infrastructure + Cloud” to capture the opportunities brought by new technologies. With this new strategy, we are confident to achieve long term, sustainable growth.”

For the fourth fiscal quarter, Lenovo’s revenue was US\$9.6 billion, an increase of 4.9 percent year-over-year, fueled in part by a good performance in the PC/smart devices and mobile businesses. For the full-year ended March 31, 2017, Lenovo’s revenue was US\$43 billion, down 4.2 percent year-over year.

The Company’s gross profit for the fourth fiscal quarter decreased 9.8 percent year-over-year to US\$ 1.4 billion, while for the full year, gross profit fell 7.8 percent to US\$6.1 billion. Operating profit for the fourth fiscal quarter was US\$74 million. For the full year, Lenovo’s operating profit was US\$672 million. Fourth-quarter net income was US\$107 million, while net income for the full year was US\$535 million, an increase of US\$660 million year-over-year.

Basic earnings per share in the fourth fiscal quarter was 0.97 US cents or 7.56 HK cents, and for the full year basic earnings per share was 4.86 US cents or 37.71 HK cents. Lenovo’s Board of

Directors declared a dividend of 2.63 US cents, or 20.5 HK cents per share for the fiscal year ended March 31, 2017.

Business Group Overview

In our **PC and Smart Devices** (PCSD) business group, which includes PCs, tablets and smart devices, Lenovo's quarterly sales were up 4.9 percent year-over-year to US\$6.7 billion. Quarterly shipments grew one percent to 14.4 million, four points better than the overall market. Pre-tax income for the quarter was US\$288 million, a decrease of 4.7 percent year-over-year.

For the full year ended March 31, 2017, Lenovo's PCSD sales were down 2.3 percent but beating the overall market, at US\$30 billion. Shipments for the year beat the market significantly by 7.1 points, with 66.6 million, while pre-tax income margin stood at five percent, a slight increase year-over-year.

Importantly, Lenovo continued to deliver strong results in both the fourth quarter and full year in the hyper-growth categories in this business, such as gaming, detachables, Chromebooks and Millennial PCs (in China). For example, our gaming and Chromebook shipments were up 20.5 and 38.2 percent respectively in the fourth quarter. Meanwhile our detachables grew at a double digit premium compared to the market, and Millennial PC continued its rapid rise in China with triple digit growth for the fourth quarter in a row.

Lenovo's **Mobile Business Group** (MBG), which includes Moto and Lenovo-branded smartphones, saw 19.7 percent revenue growth in the fourth fiscal quarter outside of China, with total sales of US\$1.7 billion. Fourth quarter smartphone shipments increased 17.4 percent to 11.3 million units outside China, beating the market significantly by 12.8 points.

For the full year ended March 31, 2017, overall sales were down 5.4 percent and pre-tax income margin decreased 1.9 points outside China.

In Asia Pacific and Latin America, led by our success in India and Brazil respectively, Lenovo's mobile business continued to improve throughout the year. In Western Europe, shipments were up in France, Germany and the UK, while in North America, our channel expansion plans are on track.

In China, we have added new leadership, re-aligned our strategy and product portfolio, and cleared our inventory as we get ready to introduce a new product lineup.

In our **Data Center Group** (DCG), which includes servers, storage, software and services, fourth fiscal quarter sales were down 13.7 percent year-over-year, to US\$850 million. For the full year, revenue decreased 10.6 percent on total sales of US\$4.1 billion.

We have re-engineered this business by adding new leaders including industry veterans, deploying a dedicated DCG sales force in all geographies, and forming new segments to focus on growth categories such as high-performance computing. We are the fastest-growing supercomputer company in the world, and the #1 supercomputer company in China. We are also focusing more resources on our Global accounts where we grew 16 percent year-over-year, and are confident we now have the right strategy in place to help deliver on our turnaround, particularly in mature markets.

Geographic Overview

In **China**, in the fourth fiscal quarter, Lenovo's consolidated sales were US\$2.3 billion, a decrease of three percent year-over-year. For the full year, China sales were down 4.6 percent to US\$11.8 billion. For the quarter, China sales were 23.8 percent of the Company's total worldwide sales, and for the full year, China sales were 27.4 percent of the total.

Pre-tax income in China was US\$64 million during the fourth quarter, and for the full year fell 4.3 percent to US\$539 million. Pre-tax income margin held flat for the year at 4.6 percent.

In **Asia Pacific**, Lenovo's sales were 18.1 percent of the Company's total worldwide sales during the fourth fiscal quarter, and 16.3 percent for the full year. Consolidated sales in the fourth quarter increased year-over-year by 9.4 percent to US\$1.7 billion and for the full year decreased by two percent to US\$7 billion. Pre-tax loss for the full year was \$65 million.

In **Europe, Middle East and Africa**, consolidated sales in the fourth fiscal quarter were up 5.9 percent year-over-year to US\$2.6 billion. For the full year, sales were US\$11.2 billion, a decrease year-over-year of 5.1 percent. EMEA sales were 27.4 percent of the Company's overall fourth quarter sales, and 26 percent of total worldwide sales for the full year.

In the **Americas**, consolidated sales grew to US\$2.9 billion, 30.7 percent of the Company's total sales for the quarter, and a healthy 8.2 percent increase year-over-year. For the full year, sales were down 4.1 percent year-over-year to US\$13 billion, or 30.3 percent of total worldwide sales.

Pre-tax income for the fourth quarter was US\$60 million, a seven times improvement year-over-year, and a pre-tax income margin improvement of 1.7 points. For the full year, pre-tax income more than doubled to US\$157 million, with pre-tax income margin improving 2.1 points to 1.2 percent.

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$43 billion global Fortune 500 company and a leader in providing innovative consumer, commercial, and enterprise technology. Our portfolio of high-quality, secure products and services covers PCs (including the legendary Think and multimode YOGA brands), workstations, servers, storage, smart TVs and a family of mobile products like smartphones (including the Moto brand), tablets and apps. Join us on [LinkedIn](#), follow us on [Facebook](#) or Twitter ([@Lenovo](#)) or visit us at www.lenovo.com.



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LENOVO GROUP
FINANCIAL SUMMARY
For the fiscal quarter and full year ended March 31, 2017
(in US\$ millions, except per share data)

	Q4 16/17	Q4 15/16	Y/Y CHG	FY16/17	Y/Y CHG
Revenue	9,579	9,133	5%	43,035	-4%
Gross profit	1,368	1,518	-10%	6,106	-8%
Gross profit margin	14.3%	16.6%	-2.3pts	14.2%	-0.6pts
Operating expenses	(1,294)	(1,270)	2%	(5,434)	-19%
Expenses-to-revenue ratio	13.5%	13.9%	-0.4pts	12.6%	-2.3pts
Operating profit	74	248	-70%	672	N/A
Other non-operating expenses	(59)	(55)	7%	(182)	-15%
Pre-tax income	15	193	-92%	490	N/A
Taxation	89	(17)	N/A	40	-69%
Profit for the period/year	104	176	-41%	530	N/A
Non-controlling interests	3	4	-21%	5	-72%
Profit attributable to equity holders	107	180	-41%	535	N/A
Earnings per share (US cents)					
Basic	0.97	1.63	(0.66)	4.86	N/A
Diluted	0.97	1.62	(0.65)	4.86	N/A

