



## LENOVO DRIVES STRONG FOURTH QUARTER AND FY2017/2018 RESULTS; INNOVATION AND EFFICIENCIES POWER CONTINUED FY2018/2019 IMPROVEMENT

- Lenovo continues transformation from single PC hardware company into multi-business innovator in smart devices, data centers, Internet of Things (IoT) and Artificial Intelligence
- Q4 revenue of US\$10.6 billion was up 11% YTY, the first double-digit increase in 10 quarters
- Group Q4 PTI up sharply to US\$37 million versus US\$15 million last year; group operational performance improved US\$255 million year-on-year
- Q4 net income was US\$33 million
- Year-on-year growth with overall FY revenue up 5% to US\$45.3 billion
- Personal Computer Group, Smart Devices, Mobile Business fully combine into new, 'Intelligent Devices Group'

**HONG KONG, May 24, 2018** – **Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced results for its fourth fiscal quarter and full fiscal year ended March 31, 2018. For its fourth fiscal quarter FY2017/18, Lenovo reported US\$10.6 billion in revenue, up 11% year-on-year - the first double digit increase in 10 quarters - demonstrating solid performance momentum.

In the fourth fiscal quarter Lenovo's group pre-tax income was US\$37 million, up 143% year-on-year from US\$15 million. The company also improved profitability in all three key businesses for the quarter year-on-year, with group operational performance<sup>1</sup> improving US\$255 million year-on-year to US\$76 million. Profit attributable to shareholders for Q4 was US\$33 million, lower than the same period last year due to a larger tax credit recorded in FY2016/17.

For the full fiscal year, the company's overall revenue was over US\$45.3 billion, up 5 % year-on-year. Group operational performance reached US\$193 million, improving US\$96 million year-on-year. The company recorded a US\$189 million net loss for the full year mainly due to a one-time non-cash write-off charge of US\$400 million from deferred income tax assets in Q3 FY2017/18..

Basic earnings per share in the fourth fiscal quarter was 0.28 US cents or 2.19 HK cents, and for the full year basic loss per share was 1.67 US cents or 13.05 HK cents. Lenovo's Board of Directors declared a dividend of 2.61 US cents, or 20.5 HK cents per share for the fiscal year ended March 31, 2018.

### **Business Group Overview**

- Lenovo continued to execute on its three-wave strategy, emphasizing leadership in core businesses, growth in key segments and investment in emerging technologies. All three of Lenovo's key business groups demonstrated strength and momentum in both the fourth quarter and fiscal year

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<sup>1</sup> Operational performance is measured as profit before taxation, but excluding restructuring charges and disposal gains on properties



- Personal Computers and Smart Devices (PCSD) reported US\$7.7 billion in FYQ4 revenue, up 16% from the same period a year earlier and the highest growth in four years. For the year, PCSD reported US\$32.4 billion, up 8% from FY2016/17
- The Data Center Group (DCG) revenue grew 44% during the quarter compared to Q4 FY2016/17 to US\$1.2 billion. For the year, DCG reported US\$4.4 billion in revenue, up 8% from FY2016/17
- The Mobile Business Group (MBG) revenue for Q4 FY2017/18 was US\$1.3 billion and for the full year was US\$7.2 billion. Lenovo remains optimistic that aggressive cost-cutting and exceptionally strong performances by MBG in Latin America (volume grew 40% year-on-year for the full year), or more than 20 times the industry) and North America (volume +57% year-on-year for the full year) are expected to yield substantially improved results as FY2018/19 continues

“Last quarter, we resumed double-digit revenue growth with strong profitability improvement year-on-year, closing the fiscal year with a strong momentum and proving that Lenovo has truly entered a new phase of growth,” said Yang Yuanqing, Lenovo Chairman and CEO. “Lenovo’s vision has long been to become a global leader in intelligent transformation. We will focus on building competitiveness in Smart IoT devices, data center infrastructure and vertical intelligent solution, and we are well positioned to take advantage of smart IoT and intelligence era.”

During the quarter Lenovo also announced the integration of its **Personal Computer and Smart Devices Group** with its **Mobile Business Group**, creating the **Intelligent Devices Group (IDG)**. This new group will further fast-track the company’s innovation leadership and ambitions for growth across the full spectrum of smart devices. This new structure will create a number of efficiencies by leveraging shared global supply chain and services. IDG will also accelerate Lenovo innovation as communications and computing technologies come together under a single platform to better connect devices, users, applications and content.

#### **ADDITIONAL BUSINESS GROUP HIGHLIGHTS**

**PC and Smart Devices (PCSD) business group:** During the fourth quarter, PCSD posted strong revenue growth of 16% compared to the same period a year earlier. For the year, PCSD reported an 8% increase in revenue, and remained the world’s #1 PC and Tablet maker<sup>2</sup>, with market share growing 0.2 points to 15.6% globally. Additionally:

- Returned to industry-leading PTI margin of 5% in Q4 FY2017/18. All geographies continued to be profitable with margin expansion in four out of five
- Strong, double-digit, year-on-year revenue growth across regions in the Americas, Asia Pacific, and EMEA
- Focused strategy in high-growth segments paying off with strong double-digit shipment growth year-on-year in both Gaming (+42%) and Workstation (+32%) in FYQ4. Both surpassed the US\$1 billion-dollar scale in FY2017/18 with gaming reporting double-digit revenue growth year-on-year
- Named Best Laptop Brand 2018 by LAPTOP Magazine for a second consecutive year

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<sup>2</sup> Source: IDC Quarterly Personal Computing Device Tracker, 2018Q1 Final Historical



**Data Center Group (DCG):** The Data Center group is well positioned to provide the infrastructure for the smart IoT era and continues to be a significant growth business for Lenovo. The group's financial performance serves as a tangible proof point that the DCG strategy is yielding significant results:

- In Q4 FY2017/18 delivered second consecutive quarter of double-digit year-on-year growth and achieved highest revenue growth (+44%) since the IBM System x acquisition in 2014 – with all geographies showing positive year-on-year revenue growth
- North America and EMEA posted their fourth consecutive quarter of strong year-on-year revenue growth
- Software Defined Infrastructure (SDI) continued strong revenue growth - 130% year-on-year
- HPC solidified the number two position globally in the top 500 Supercomputing list, fast closing the gap to number one player

**Mobile Business Group (MBG):** During the quarter MBG moved with urgency to reshape the business for future growth and to accelerate progress toward profitability. This included the appointment of Sergio Buniac to lead the business outside of China; a realignment of the product portfolio ahead of forthcoming launches; overall channel inventory reduction, and a strategic market review to identify the opportunities for most profitable growth.

- In Q4 FY2017/18 Latin America remained the strong core for MBG, recording double-digit (13%) year-on-year revenue growth
- In North America, shipments continued to show strong, year-on-year growth as Lenovo strengthened presence with mainstream models and carrier expansion. North America shipments grew 54% year-on-year for Q4 and gained 1.1pts of market share to 3.8% in Q4 FY2017/18
- Expense reduction for the new fiscal year as part of a strategy to reduce loss and focus on strengthening MBG's leading position and profitability in Latin America, North America and Western Europe by simplifying the portfolio, optimizing the cost structure and leveraging shared platforms

**Lenovo Capital and Incubator Group:** Lenovo continues to be a beneficiary and driver of some of the most robust trends in global technology innovation, notably artificial intelligence. Lenovo's investment arm, Lenovo Capital and Incubator Group (LCIG), funded 85 companies during the past years, and oversaw eight independent spin-offs.

### About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$45 billion Fortune 500 company with a vision to become the global leader in Intelligent Transformation through smart devices and infrastructure that create the best user experience. Lenovo manufactures one of the world's widest portfolio of connected products, including smartphones (Motorola), tablets, PCs (Thinkpad, Yoga, Lenovo Legion) and workstations as well as AR/VR devices and smart home/office solutions. Lenovo's next generation data center solutions (ThinkSystem, ThinkAgile) are creating the capacity and computing power for the connections that are changing business and society. Lenovo works to inspire the different in everyone and build a smarter future where everyone thrives. Follow us on [LinkedIn](#), [Facebook](#), [Twitter](#), [Instagram](#), [Weibo](#), or visit us at <http://www.lenovo.com/>

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### IR Contacts:

**Hugh Wu**  
(852) 2516 4868  
[wuhuib@lenovo.com](mailto:wuhuib@lenovo.com)

**Bryan Hsu**  
(852) 2516 4843  
[bryanhsu@lenovo.com](mailto:bryanhsu@lenovo.com)

**Callis Cheng**  
(852) 2516 4811  
[ccheng6@lenovo.com](mailto:ccheng6@lenovo.com)

**Lisa Yang**  
(852) 2516 4804  
[wyang4@lenovo.com](mailto:wyang4@lenovo.com)

**LENOVO GROUP**  
**FINANCIAL SUMMARY**  
**For the fiscal quarter and full year ended March 31, 2018**  
(in US\$ millions, except per share data)

	<b>Q4 17/18</b>	<b>Q4 16/17</b>	<b>Y/Y CHG</b>	<b>FY17/18</b>	<b>Y/Y CHG</b>
Revenue	10,638	9,579	11%	45,350	5%
Gross profit	1,544	1,368	13%	6,272	3%
Gross profit margin	14.5%	14.3%	0.2pts	13.8%	-0.4pts
Operating expenses	(1,443)	(1,294)	11%	(5,885)	8%
Expenses-to-revenue ratio	13.6%	13.5%	0.1pts	13.0%	0.4pts
Operating profit	101	74	36%	387	-42%
Other non-operating expenses- net	(64)	(59)	9%	(234)	28%
Pre-tax income	37	15	143%	153	-69%
Taxation	12	89	-87%	(280)	N/A
Profit/(loss) for the period/year	49	104	-53%	(127)	N/A
Non-controlling interests	(16)	3	N/A	(62)	N/A
Profit/(loss) attributable to equity holders	33	107	-69%	(189)	N/A
Earnings/(loss) per share (US cents)					
Basic	0.28	0.97	(0.69)	(1.67)	N/A
Diluted	0.28	0.97	(0.69)	(1.67)	N/A