



LENOVO ACHIEVES RECORD REVENUE FOR FY18/19 DRIVEN BY SUCCESS OF INTELLIGENT TRANSFORMATION STRATEGY AND STRONG OPERATIONAL PERFORMANCE

- Lenovo posts record fiscal year results with revenue reaching all time high of US\$51 billion, up 12.5% year-on-year
- Intelligent Transformation strategy drives PTI jump to US\$856 million – up more than four times at 459% YOY
- Net income is US\$597 million, an increase of US\$786 million from last year
- Strong fourth quarter performance included double-digit growth (10.1% YOY) on revenue to US\$11.7 billion, revenue and profit up across all businesses for the first time since x86 and Motorola acquisitions, and improved profitability: PTI at US\$180 million, up 389% YOY; net income up 261% YOY to US\$118 million
- Management highlights strong foundation positioned for future growth, based on a customer-centric, multi-business operating system that can thrive in a transforming world

HONG KONG, May 23, 2019 – Lenovo Group (HKSE: 992) (ADR: LNVGY) today announced strong results delivering on the company’s Intelligent Transformation strategy and highlighting its leadership across all segments. For the first time, the global company delivered full-year revenue exceeding US\$50 billion, up 12.5% to a record-breaking US\$51 billion.

The significant increase in profitability includes full-year pre-tax income up four and a half times (459%) year-on-year at US\$856 million and net income at US\$597 million, up US\$786 million from negative US\$189 million last year.

The full-year performance included a notably strong fourth quarter characterized by improving revenue and profit across all businesses. Revenue grew by 10% year-on-year and reached US\$11.7 billion. Pre-tax income was US\$180 million, up almost four times year-on-year (US\$143 million, +389%) and net income was US\$118 million (up US\$85 million, +261%).

Basic earnings per share for the full year were 5.01 US cents or 39.2 HK cents, and for the fourth quarter the figure was 1.00 US cents or 7.85 HK cents. Lenovo’s Board of Directors declared a final dividend of 2.78 US cents or 21.8 HK cents per share for the fiscal year ended March 31, 2019.

“Lenovo’s solid financial performance is the result of persistent execution of our transformation strategy. At a time of great global change – economically, socially and environmentally – we continue to focus on how we ‘intelligently transform’ ourselves and enable our many customers around the world successfully to do the same. I am proud of our strong results and confident in how we will climb to new heights in the future,” said Yang Yuanqing, Lenovo Chairman and CEO.

Business Group Overview



The **Intelligent Devices Group** (IDG) continues to lead the industry. Driven by Lenovo's Smart IoT strategy, it saw revenue grow by almost double digits for the full year (up 9.9%) and pre-tax income more than doubled (109%) year-on-year to US\$1,843 million for the same period.

The **PC and Smart Devices** group (PCSD), one of IDG's two business units, delivered a record full year revenue of US\$38.5 billion, with pre-tax income of US\$1.98 billion. Through customer innovation, Lenovo is the #1 PC company in the world (according to IDC) with record market share of 23.4% for the fiscal year and remains the fastest growing among the top five players (+9.5% year-on-year). Challenging the status quo and rethinking form factors and user experiences have resulted in numerous technology breakthroughs in the past fiscal year, notably and most recently the May 13 announcement of the world's first PC with a foldable screen.

The second IDG business unit, the **Mobile Business Group** (MBG), improved pre-tax income by US\$464 million year-on-year and was profitable starting from the second half of the year thanks to a clear focus on selected markets, a competitive product portfolio and expense control.

Prioritized regions saw rapid growth, including a record share of 17.6% in Latin America. In North America, volume outgrew the market by 59.2 points and in China by 185.8 points premium to market. In the rest of the world inventory was cleared with notable profit improved - paving the way for a return to growth.

The **Data Center Group** (DCG) achieved the fastest year-on-year growth since the acquisition of the x86 server business, growing 37% with record full year revenue of US\$6.02 billion. This was led by strong growth of the Hyperscale and Software Defined Infrastructure, which had revenue growth of 240% and 96% year-on-year respectively.

Lenovo remains #1 in the world in performance with 139 world records, #1 in x86 reliability and customer satisfaction according to ITIC (Information Technology Intelligence Consulting), TBR (Technology Business Research) and other industry benchmarks, and the #1 provider of supercomputers in the TOP500 list.

Additional Highlights

During the course of the year, the **Lenovo Capital and Incubator Group** successfully divested interests in three investments and contributed US\$107 million to the group's pre-tax income. For the full fiscal year, revenue from **Software & Services** reached US\$2.4 billion, up 18.9% year-on-year.

Q4 highlights:

- PCSD revenue grew 10.3% year-on-year; in PC volume grew 9% year-on-year, 12 points premium to market. The business regained #1 in consumer and strengthened its #1 leadership position in Commercial Notebook PCs over the US\$800 price range with 34% year-on-year growth.
- MBG was profitable for the second consecutive quarter, improving pre-tax income by US\$146 million year-on-year; revenue returned to year-on-year growth for the first time after five

quarters, at 15.1% year-on-year and outgrew the market by 26.8 points. The quarter also saw the company bring the world's first 5G mobile product to stores.

- DCG business revenue and profit continue to improve year-on-year despite tough market conditions. The joint venture with NetApp in China is now operational and showing early signs of success

About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$50 billion Fortune Global 500 company, with 57,000 employees and operating in 180 markets around the world. Focused on a bold vision to deliver smarter technology for all, we are developing world-changing technologies that create a more inclusive, trustworthy and sustainable digital society. By designing, engineering and building the world's most complete portfolio of smart devices and infrastructure, we are also leading an Intelligent Transformation – to create better experiences and opportunities for millions of customers around the world. To find out more visit <https://www.lenovo.com>, follow us on [LinkedIn](#), [Facebook](#), [Twitter](#), [YouTube](#), [Instagram](#), [Weibo](#) and read about the latest news via our [StoryHub](#).

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LENOVO GROUP
FINANCIAL SUMMARY
For the fiscal quarter and full year ended March 31, 2019
(in US\$ millions, except per share data)



| | Q4 FY18/19 | Q4 FY17/18 | Y/Y CHG | FY18/19 | Y/Y CHG |
|---------------------------------------|-----------------------|-----------------------|----------------|----------------|--------------------|
| Revenue | 11,710 | 10,638 | 10% | 51,038 | 13% |
| Gross profit | 1,895 | 1,544 | 23% | 7,371 | 18% |
| Gross profit margin | 16.2% | 14.5% | 1.7pts | 14.4% | 0.6pts |
| Operating expenses | (1,622) | (1,443) | 12% | (6,193) | 5% |
| Expenses-to-revenue ratio | 13.9% | 13.6% | 0.3pts | 12.1% | -0.9pts |
| Operating profit | 273 | 101 | 172% | 1,178 | 205% |
| Other non-operating expenses - net | (93) | (64) | 46% | (322) | 38% |
| Pre-tax income | 180 | 37 | 389% | 856 | 459% |
| Taxation | (46) | 12 | N/A | (199) | -29% |
| Profit for the period/year | 134 | 49 | 176% | 657 | N/A |
| Non-controlling interests | (16) | (16) | -2% | (60) | -3% |
| Profit attributable to equity holders | 118 | 33 | 261% | 597 | N/A |
| Earnings per share (US cents) | | | | | |
| Basic | 1.00 | 0.28 | 0.72 | 5.01 | N/A |
| Diluted | 0.96 | 0.28 | 0.68 | 4.96 | N/A |