



LENOVO KICK-STARTS FY19/20 WITH INDUSTRY LEADING GROWTH, DOUBLING YEAR-ON-YEAR INCOME THROUGH STRONG CUSTOMER FOCUS AND ACCELERATION OF INTELLIGENT TRANSFORMATION STRATEGY

- Group revenue grew year-on-year for eight consecutive quarters, reaching US\$12.5B in Q1 FY19/20
- PTI more than doubled to US\$240M year-on-year, up US\$127M
- Net income was US\$162M, up US\$85M year-on-year, also more than doubling
- One in every four PCs built worldwide is a Lenovo PC, thanks to record market share of 24.9%

HONG KONG, August 15, 2019 – Lenovo Group (HKSE: 992) (ADR: LNVGY) today announced group revenue in the first quarter reached US\$12.5 billion, the eighth consecutive quarter of growth. Pre-tax income more than doubled year-on-year, growing by US\$127 million to reach US\$240 million. Net income also more than doubled, up US\$85 million to US\$162 million.

Basic earnings per share for the first quarter were 1.37 US cents or 10.74 HK cents.

“This fiscal year kicked off to an excellent start. Once again, this quarter’s strong results provided solid evidence that Lenovo’s Intelligent Transformation is enabling the company to drive sustainable, profitable growth in today’s dynamic and changing world. Our persistent execution and operational efficiency allows us to bring our vision to life and deliver smarter technology for all,” said Yang Yuanqing, Lenovo Chairman and CEO.

Global trade environment

The first quarter results signal that Lenovo continues to thrive – outperforming the market and leading the global tech sector in spite of industry-wide geopolitical and trade uncertainties. Lenovo is positioned better than most given a globally balanced revenue mix, footprint across 180 markets, and more flexible majority-owned manufacturing base. To date there has been negligible material impact on the business. Looking ahead, the global scale and breadth of the business ensures Lenovo is well positioned to manage complex and dynamic market conditions, while delivering sustainable long-term results.

Business Group Overview

The strong results are led by the **Intelligent Devices Group** (IDG). The **PC and Smart Devices Group** (PCSD), one of its two business units, continued double-digit (12%) revenue growth while achieving its highest-ever profit in a fiscal first quarter, and further improving industry leading profitability. Pre-tax income was US\$524 million, up US\$98 million. Americas and Asia Pacific achieved 20% and 40% year-on-year revenue growth respectively and all four geographies (Americas, Asia Pacific, China, EMEA) each delivered over US\$2 billion in revenue, demonstrating the geographical balance and sustainability of this business.



In PCs, volume outgrew the market, which as a whole is experiencing a recovery, by over 13 points, and the group hit an all-time record PC market share of 24.9%. This means one in every four PCs built in the world is a Lenovo PC – cementing Lenovo’s position as the worldwide number one in PCs.

These strong results are driven by innovation, a customer-centric product portfolio and continuing focus on operational excellence. This strategy enables the company to outgrow the market significantly across high-growth and premium categories including Workstation, Thin and Light, Visuals, Gaming PCs and Chromebook. Looking forward, the PC and Smart Device group will continue to drive premium-to-market growth and industry-leading profitability by focusing on premium segments as well as innovating in Smart IoT, commercial Smart IoT and developing new devices for homes and offices.

IDG’s second business unit, the **Mobile Business Group** (MBG), delivered another profitable quarter and improved pre-tax income by US\$100 million for the 4th consecutive quarter. In the North America market, volume outgrew the market by more than 37 points and pre-tax income margin improved by over 14 points year-on-year. In the company’s Latin America stronghold, volume has grown with or above the market for 11 quarters.

Going forward, the mobile business will continue to maintain profitability and seek opportunities to drive profitable growth in new markets with new innovative products.

The **Data Center Group** (DCG) continued to improve profitability year-on-year for the eighth consecutive quarter. Storage revenue grew more than 80% year-on-year and Software Defined Infrastructure (SDI) continued to grow at a double-digit rate year-on-year. Overall revenue declined due to a small number of large cloud customers reducing their purchasing after rapid infrastructure growth over the past year and a lower average unit revenue due to declining component prices. In High Performance Computing the company extended the Number 1 position in the Top 500 Supercomputer list to 173 systems across 20 markets – continuing to support ground-breaking scientific research and applications around the world.

The group will continue to expand as a full stack Data Center player, driving SDI, storage, networking, HPC, AI, IoT, service and solution led sales while strengthening in-house design and manufacturing capability for Hyperscale. In addition, the business will further improve routes-to-market and operational excellence to achieve premium to market growth, while improving profitability.

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 first quarter ended June 30, 2019

(in US\$ millions, except per share data)

| | Q1 19/20 | Q1 18/19 | Y/Y CHG |
|---------------------------------------|-----------------|-----------------|----------------|
| Revenue | 12,512 | 11,913 | 5% |
| Gross profit | 2,048 | 1,632 | 26% |
| Gross profit margin | 16.4% | 13.7% | 2.7pts |
| Operating expenses | (1,705) | (1,452) | 18% |
| Expenses-to-revenue ratio | 13.6% | 12.2% | 1.4pts |
| Operating profit | 343 | 180 | 90% |
| Other non-operating expenses - net | (103) | (67) | 52% |
| Pre-tax income | 240 | 113 | 113% |
| Taxation | (48) | (28) | 75% |
| Profit for the period | 192 | 85 | 125% |
| Non-controlling interests | (30) | (8) | 259% |
| Profit attributable to equity holders | 162 | 77 | 111% |
| EPS (US cents) | | | |
| Basic | 1.37 | 0.65 | 0.72 |
| Diluted | 1.32 | 0.65 | 0.67 |