

LENOVO DELIVERS RECORD SETTING Q3 PERFORMANCE WITH ALL TIME REVENUE AND PTI HIGHS



- All time Group revenue record of US\$14.1 billion
- Pre-tax income (PTI) grew to record US\$390 million, up 11% year-on-year
- Net income up 11% year-on-year to US\$258 million
- Strategic Intelligent Transformation growth areas delivering results-Software and services revenue* reached US\$1 billion for the first time, growing 41% year-on-year and contributing 7% of Group revenue

HONG KONG, February 20, 2020 – **Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced Group revenue in the third quarter reached a record high of US\$14.1 billion, and the tenth consecutive year-on-year quarter of growth. Pre-tax income grew 11% compared to the same quarter a year earlier, to US\$390 million and net income also increased 11% year-on-year to US\$258 million.

Basic earnings per share for the third quarter were 2.16 US cents or 16.90 HK cents.

“Last quarter, despite the geopolitical uncertainties and industry-wide supply shortages, we delivered a record-setting performance with geographical balance, operational excellence, and solid strategy execution. Both group revenue and pre-tax income reached all-time highs,” said Yang Yuanqing, Lenovo Chairman and CEO. “These core competencies not only enable us to seize the opportunities of technology transformation and drive sustainable growth, but also help us address the challenges we face today.”

Global economic factors

The last quarter has presented multiple industry-wide business challenges including ongoing geo-political uncertainties, component supply shortages and more recently the global Novel coronavirus health situation. As relates to coronavirus, the business priority continues to be ensuring the health and welfare of the Lenovo workforce, continuity of manufacturing and rebuilding capacity, and assisting those working to contain the outbreak. Like the rest of the industry, Lenovo is inevitably facing some short-term constraints and delays as the supply chain is ramped back up after the extended Chinese New Year factory closures. As a result, Lenovo will leverage its geographical balance, operational excellence and strength in managing complex supply chains across a global manufacturing footprint, and solid strategy execution in order to weather the challenges.

Business Group Overview

Lenovo’s **Intelligent Devices Group (IDG)** continues to lead the company’s strong performance. The **PC and Smart Devices Group (PCSD)**, one of the two IDG business units, set all-time records for revenue at US\$11.1 billion, pre-tax income of US\$684 million, and a PTI margin of 6.2%. These record results demonstrated Lenovo’s world-class performance capability, especially in overcoming a significant and dynamic industry-wide CPU shortage. In PCs, Lenovo extended its clear #1 position with record high shipments, outperforming a growing market by almost 2 percentage points. Lenovo also finished #1 for the calendar year with share of 24.3%, up 1.6 points year-on-year. Volume in high-growth and premium categories such as Gaming, Thin & Light, Visuals, Workstations and Chromebooks continued to grow at high double-digits and significantly outgrew the market by double digits year-on-year. Looking to the future, while macro-challenges may

continue, Lenovo is confident its proven operational excellence will enable it to drive premium-to-market growth and industry-leading profitability. In addition, Lenovo will leverage innovation to drive growth, as demonstrated by its recently announced [ThinkBook Plus](#) with top cover e-ink display, [ThinkPad X1 Fold](#) laptop with foldable screen and the world's first 5G PC - [Yoga 5G](#).

IDG's second business unit, the **Mobile Business Group (MBG)**, posted its fifth consecutive quarter of profitability. In the company's stronghold of Latin America Lenovo's volume outgrew the market by 19 points, while improving pre-tax income margin to 5.8%. Going forward, the mobile business will continue to strengthen profitability while driving growth in new markets. In addition, the recently launched [Motorola razr](#) signals a re-entry for the company to the premium segment – a market segment that will be an ongoing focus in the future.

The **Data Center Group (DCG)** saw server shipments grow by 18% year-on-year. While Data Center group revenue remained flat year-on-year due to sharp component price reductions that decreased average system prices, profitability continued to improve. Non-hyperscale had its highest revenue in four years and grew nearly 16%, with the revenue from the China market alone up 46% year-on-year. Software Defined Infrastructure (SDI) and Storage have both seen year-on-year revenue growth of more than 40%. Looking ahead, future growth is expected across all areas, in particular from servers, storage, SDI, High Performance Computing, software and services as the Group focuses on increasing customer diversity and broadening indirect channels.

Intelligent Transformation growth catalyst for the Group

Lenovo's intelligent transformation business strategy continued to show strong momentum as a long-term growth catalyst for the Group. Software and Services revenue* surpassed the US\$1 billion per quarter for the first time, growing 41% year-on-year, and now contributes 7% of overall Group revenues. In Smart IoT, revenue almost quadrupled year-on-year to US\$90 million, driven by growth in AR/VR, consumer Smart Home and Smart Office. Smart Infrastructure revenue grew more than 50% year-on-year driven by Software Defined Infrastructure and Network Function Virtualization. Smart Vertical revenue doubled as a result of triple-digit growth from Data Intelligence Business Group revenue and PCSD solutions in the healthcare and education sectors.

* invoiced revenue

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 third quarter ended December 31, 2019

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

	Q3 19/20	Q3 18/19	Y/Y CHG
Revenue	14,103	14,035	0.5%
Gross profit	2,265	2,050	10.5%
Gross profit margin	16.1%	14.6%	1.5 pts
Operating expenses	(1,777)	(1,616)	10.0%
Expenses-to-revenue ratio	12.6%	11.5%	1.1 pts
Operating profit	488	434	12.4%
Other non-operating expenses - net	(98)	(84)	16.4%
Pre-tax income	390	350	11.4%
Taxation	(85)	(85)	(0.9%)
Profit for the period	305	265	15.4%
Non-controlling interests	(47)	(32)	47.8%
Profit attributable to equity holders	258	233	10.9%
EPS (US cents)			
Basic	2.16	1.96	0.20
Diluted	2.07	1.92	0.15

