

LENOVO DELIVERS OUTSTANDING Q1 PERFORMANCE AND STRONG GROWTH, OVERCOMING CHALLENGING GLOBAL ENVIRONMENT

- Group revenue up by almost 7% year-on-year to US\$13.3 billion
- Pre-tax income (PTI) of US\$332 million, up 38% year-on-year
- Net income up 31% year-on-year to US\$213 million
- Software and services revenue* grew 38% year-on-year, to more than US\$1 billion – now accounting for around 7.6% of Group revenue



HONG KONG, August 13, 2020 – **Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced Group revenue in the first quarter of US\$13.3 billion, up almost 7% year-on-year (up 10% year-on-year excluding currency impact). Pre-tax income grew 38% compared to the same quarter a year earlier, to US\$332 million, while net income also increased by 31% year-on-year to US\$213 million. Basic earnings per share for the first quarter were 1.80 US cents or 13.95 HK cents.

“Our outstanding performance last quarter proves that Lenovo has quickly regained momentum from the impact of the pandemic and is capturing the new opportunities emerging from remote working, education and accelerated digitalization,” said Yang Yuanqing, Lenovo Chairman and CEO. “While the world continues to face challenges, Lenovo is focused on delivering sustainable growth through our core businesses as well as the new services and solutions opportunities presented by our service-led intelligent transformation.”

Global economic factors

The last quarter has presented multiple industry-wide business challenges, including ongoing geo-political uncertainties and the COVID-19 pandemic. To chart a path through these challenges, Lenovo continues to leverage its core competencies of operational excellence and a ‘global sourcing, local delivery’ approach. Looking to the geo-political landscape, Lenovo continues to believe that cooperation in trade, technology and culture provides significant economic benefits to all markets and will ensure that technology can benefit and empower everyone in society.

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, grew revenue by double digits year-on-year to US\$10.6 billion. Pre-tax income reached US\$670 million, up nearly 28% year-on-year, while industry-leading profitability improved by almost 1 point to a new record of 6.3%. The PC market significantly outperformed the industry forecast of a market decline, with Lenovo retaining its #1 leadership position in the worldwide PC Devices market (PC and Tablets). Similarly, there was strong year-on-year growth (45%) in Consumer business revenue worldwide. Driven by these successes, revenue grew 30% in EMEA and 18% in China. Volume in high-growth and premium categories such as Gaming, Thin & Light, Visuals, and Chromebooks all continued to grow at high double-digits. The worldwide e-Commerce business was a notably stellar performer, with revenue growth over 50% year-on-year.

Looking to the future, the company expects this strong PC demand will be a long-term trend. As a result, Lenovo will focus on innovative products that adapt to the new global environment, further strengthen



its global supply chain to meet the fast-growing demand, continue to develop its e-Commerce platform and focus on high-growth segments to drive premium-to-market growth with leading profitability.

IDG’s second business unit, the **Mobile Business Group (MBG)**, while still impacted by COVID-19 and challenging currency exchange rates, has improved momentum with revenue increasing by 33% over the last quarter. Although revenue declined year-on-year, volume outgrew the market year-on-year in key markets like Latin America, North America and Europe, with record high market share in both Latin America and North America. Looking forward Lenovo will continue to leverage its strong product portfolio, innovative technology, particularly in 5G, and expand carrier ranging to resume profitable growth.

The **Data Center Group (DCG)** resumed hypergrowth, with revenue growing almost 20% to US\$1.6 billion and profitability improving year-on-year. Notable successes included Cloud Service Provider business (previously called hyperscale), which grew more than 30% year-on-year, setting a new revenue record by capturing strong public cloud infrastructure demand driven by increased digital consumption due to COVID-19 lockdowns. Meanwhile, the customer base continues to grow thanks to customized in-house design and manufacturing capabilities and an expanded cloud services provider salesforce. **Enterprise and SMB** business (previously called non-hyperscale) delivered year-on-year revenue growth, led by double-digit revenue growth in high-growth segments such as Software Defined Infrastructure and Services, as well as High-Performance Computing. Looking ahead, we expect long-term growth in the Cloud Service Provider segment and will leverage the team’s existing strength in public and private cloud to expand the Edge computing business.

Lenovo’s **Intelligent Transformation** continues to show strong progress as a result of determined execution of the 3S strategy. Overall Software and Services revenue* grew 38% year-on-year to over US\$1 billion, now accounting for around 7.6% of Group revenue. Smart IoT revenue* grew 39% year-on-year, Smart Infrastructure was up 16% and Smart Verticals* up 65%, driven by Smart City solutions in China and Smart Healthcare solutions in North America. Attached Service* grew 32% year-on-year, Managed Service* (including fast growing Device as a Service) grew 48% year-on-year and Solutions* grew 54% year-on-year.

* invoiced revenue

About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$50 billion Fortune Global 500 company, with 63,000 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, 2020
(in US\$ millions, except per share data)

	Q1 20/21	Q1 19/20	Y/Y CHG
Revenue	13,348	12,512	7%
Gross profit	2,041	2,048	0%
Gross profit margin	15.3%	16.4%	(1.1) pts
Operating expenses	(1,605)	(1,705)	(6)%
Expenses-to-revenue ratio	12.0%	13.6%	(1.6) pts
Operating profit	436	343	27%
Other non-operating expenses - net	(104)	(103)	1%
Pre-tax income	332	240	38%
Taxation	(85)	(48)	77%
Profit for the period	247	192	29%
Non-controlling interests	(34)	(30)	14%
Profit attributable to equity holders	213	162	31%
EPS (US cents)			
Basic	1.80	1.37	0.43
Diluted	1.76	1.32	0.44

