

LENOVO DELIVERS RECORD RESULTS, FUELED BY STRONG Q2 GROWTH ACROSS ALL BUSINESS GROUPS

- Group revenue up by 7% year-on-year to US\$14.5 billion
- Q2 pre-tax income (PTI) of US\$470 million, up 52% year-on-year
- Net income up 53% year-on-year to US\$310 million
- Group sees significant future growth opportunities well exceeding analyst forecasts

HONG KONG, November 3, 2020 – **Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced record Group revenue in the second quarter of US\$14.5 billion, up 7% year-on-year and with all businesses showing strong growth. Profit showed even stronger growth, with record pre-tax income of US\$470 million, up 52% compared to the same quarter a year earlier, while net income also increased by 53% year-on-year to a record US\$310 million. In addition to record quarterly results, Lenovo's financial strength and sustainability has been further validated recently with strong inaugural [investment grade ratings](#) from Moody's, Standard & Poor's and Fitch, and a successful [global notes offering](#).

Basic earnings per share for the second quarter were 2.59 US cents or 20.08 HK cents. Lenovo's Board of Directors declared an interim dividend of 6.6 HK cents per share.

"Our record results this quarter reflect our ongoing commitment to meeting the needs of the rapidly growing work-, learn-and play-from-home economy. All of our core businesses delivered year-on-year growth, while our Software and Services revenue grew to a new record," said Yuanqing Yang, Lenovo Chairman and CEO. "As the world continues to adjust to the 'new normal', we are confident in the long-term growth potential of both devices and cloud infrastructure. We will continue to leverage our core competences of operational excellence and global/local footprint, while accelerating our service-led transformation to better grasp opportunities and drive sustainable growth."

Business Outlook

2020 continues to be a year with multiple industry factors impacting supply and manufacturing, including the ongoing geo-political uncertainties, the global COVID-19 pandemic, and industry-wide component supply shortages driven by strong demand. However, Lenovo sees a positive outlook for the second half of the year, with the new global norm of work, learn and play from home driving long-term growth trends in device demand and cloud/infrastructure requirements. In particular, the Group expects the total PC market to grow well beyond current analyst forecasts to closer to 300 million units in calendar year 2020, around 25 million more than the total available market last year.

Business Group Overview

Lenovo's **Intelligent Devices Group (IDG)** continues to lead the Group's growth with all-time record revenue for the **PC and Smart Devices Group (PCSD)** of US\$11.5 billion, up 8% year-on-year. It reported record PTI of US\$723 million, showing growth of 18% year-on-year, and maintained an industry-leading profit margin of 6.3%. Lenovo's operational capability, timely response to the work and learn from home trend and focus on high-growth and premium segments drove the record quarterly performance. Lenovo leads the global PC market with #1 market share of 23.6%.



IDG's second business unit, the **Mobile Business Group (MBG)**, had revenue growth of 39% quarter-to-quarter and returned to year-on-year growth, continuing the strong recovery from the impact of COVID-19. Growth in the company's stronghold markets of Latin America and North America was further solidified, while growth in Europe and Asia Pacific was accelerated. The quarter also saw key innovation milestones with the launch of the [razr 5G foldable smartphone](#) and the company's first [dedicated gaming phone](#) under the Lenovo Legion brand. The business will continue to leverage its strong product portfolio and 5G innovation to drive future profitable growth.

The **Data Center Group (DCG)** saw continued growth. Revenue grew 11% year-on-year to \$1.48 billion, with improved profitability. The Cloud Service Provider segment continued to grow, with revenue increasing 34% year-on-year, with strong growth across all geographies. Underpinning this result is Lenovo's sustained investment in in-house design and manufacturing, which delivered a major motherboard and system design win. Revenue in the Enterprise and SMB was close to flat year-on-year but outperformed the market forecast by 3 points. It saw double-digit growth across the business in Software Defined Infrastructure (22%), Storage (15%), Software (47%) and Services (11%). An additional growth area for the segment is Lenovo's recently announced [partnership with SAP](#). Lenovo's TruScale Infrastructure-as-a-Service combined with SAP HANA Enterprise Cloud enables customers to keep their sensitive data on-premises and secure, with the flexibility of pay-as-you-go consumption model.

Lenovo's **Intelligent Transformation** saw strong momentum in Q2, with double-digit growth in all its segments. The results demonstrate its significance as a long-term growth catalyst for the Group. Smart Internet of Things saw strong growth of over 36% year-on-year, while Smart Infrastructure (21%) and Smart Verticals (72%) both delivered strong double-digit revenue* growth. Software and Services grew 39% year-on-year to a new record of US\$1.2 billion*, now representing more than 8.5% of Group revenue, even as total Group revenue increases. Lenovo's Attached Service and Software, Managed Service and Solutions also saw fast growth and E-commerce revenue grew by over 40% 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 second quarter ended September 30, 2020

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

	Q2 20/21	Q2 19/20	Y/Y CHG
Revenue	14,519	13,522	7%
Gross profit	2,253	2,183	3%
Gross profit margin	15.5%	16.1%	(0.6) pts
Operating expenses	(1,688)	(1,741)	(3)%
Expenses-to-revenue ratio	11.6%	12.9%	(1.3) pts
Operating profit	565	442	28%
Other non-operating expenses - net	(95)	(132)	(29)%
Pre-tax income	470	310	52%
Taxation	(120)	(66)	82%
Profit for the period	350	244	43%
Non-controlling interests	(40)	(42)	(5)%
Profit attributable to equity holders	310	202	53%
EPS (US cents)			
Basic	2.59	1.69	0.90
Diluted	2.48	1.62	0.86

