



LENOVO Q2 MOMENTUM POWERED BY 9TH CONSECUTIVE YOY QUARTERLY REVENUE GROWTH, STRONG, POSITIVE PTI AND NET INCOME GROWTH

- Group revenue grew year-on-year for the ninth consecutive quarter, reaching US\$13.5 billion
- Pre-tax Income (PTI) grew 45% year-on-year to US\$310 million
- Net income up 20% year-on-year to US\$202 million
- Lenovo continues to be the world's #1 player in the global PC market with record shipments of 17.3 million units, including double-digit premium segments growth
- Software and services revenue* up 35% year-on-year to US\$883 million

HONG KONG, November 7, 2019 – **Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced Group revenue in the second quarter reached US\$13.5 billion, the ninth consecutive, year-on-year quarter of growth. Pre-tax income grew 45% compared to the same quarter a year earlier, to US\$310 million. Net income also increased 20% year-on-year to US\$202 million. Revenue mix continues to be balanced across the company's four geographies (Americas, Asia Pacific, China, EMEA) with each reporting more than 20% share of revenue.

Basic earnings per share for the second quarter were 1.69 US cents or 13.23 HK cents. Lenovo's Board of Directors declared an interim dividend of 6.3 HK cents per share.

"During the quarter we were pleased to see our growth momentum deliver continued solid financial performance amidst a complex and dynamic global trading environment. This success is a testament to our commitment to innovation, to our customers across 180 markets around the world, and to how the world continues to embrace our vision to deliver smarter technology for all," said Yang Yuanqing, Lenovo Chairman and CEO.

Global trade environment

Although global trade and geo-political uncertainties persist, they continue to have a negligible material impact on the financial performance of the company. This quarter's results highlight the consistently high degree at which Lenovo continues to perform. Lenovo's global footprint, flexible, majority-owned manufacturing base and ongoing strong financial performance remain competitive differentiators propelling the company's market-leading position. Going forward, Lenovo is well positioned to manage complex and dynamic market conditions, while continuing to deliver 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 the two IDG business units, reported US\$10.7 billion in revenue and record PTI margin of 5.7%. Sales volume in PCs enjoyed strong growth year-on-year of 7.1%, resulting in overall PCSD revenue growth of 4.1% year-on-year. Pre-tax income was US\$612 million, up US\$97 million year-on-year.

In PCs, volume again outgrew the market, which is continuing to recover. Lenovo holds 24.4% of the global PC market, sustaining its position as the worldwide #1 in PCs. Growth came from high-growth and premium categories, including Workstation, Thin and Light, Visuals and Gaming PCs – all of which had double-digit volume growth year-on-year. In the future the PCSD group will continue to drive premium-



to-market growth and industry leading profitability as it continues to focus on customer insights to innovate across the portfolio.

IDG’s second business unit, the **Mobile Business Group (MBG)**, posted its fourth consecutive quarter of profitability and positive PTI, improving US\$57 million year-on-year. While there was a small revenue decline reported year-on-year (5.7% to US\$1.5 billion), the group continues to focus on inventory controls, portfolio efficiency and diligent cost controls to help expand margins. The company’s Latin America stronghold continues to see revenue, profit and market share grow year-on-year. In North America Lenovo moved up two places in the industry rankings from the previous quarter to number four. In addition, revenue continues to outgrow the market with profit continuing to improve. Going forward, Lenovo will continue its investment in its mobile business to drive ongoing and future growth opportunities in select new and profitable markets.

The **Data Center Group (DCG)** successfully navigated challenging circumstances during the quarter and reports its 9th consecutive year-on-year quarter of narrowing losses. Overall revenue in DCG declined 13.8% as a result of lower prices for key components and softness in demand from some of the largest hyperscale customers. Revenue – excluding Hyperscale – grew almost 13% year-on-year with China reporting more than a 47% increase in non-hyperscale revenue compared to the same quarter a year ago. In addition, there was strong double-digit growth in Storage, Software Defined Infrastructure and High Performance Computing as a result of an expanded storage portfolio, strong ThinkAgile offerings and new HPC project wins. Looking ahead, the data center group will continue its growth in non-hyperscale including fast-growing segments like SDI and storage, while also investing in new Edge, Telco and AI infrastructure opportunities. The Hyperscale customer base is expected to expand and return to growth in the second half of this fiscal year.

Software and Services heading to US\$1 billion business

Software and Services revenue* grew 35% year-on-year, reaching almost US\$900 million. Device as a Services (DaaS), premier support service and managed services all grew significantly to contribute to this performance and ongoing diversification of the company’s revenue streams. This business is expected to exceed US\$1 billion per quarter very soon.

* 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 second quarter ended September 30, 2019
(in US\$ millions, except per share data)

	Q2 19/20	Q2 18/19	Y/Y CHG
Revenue	13,522	13,380	1%
Gross profit	2,183	1,794	22%
Gross profit margin	16.1%	13.4%	2.7pts
Operating expenses	(1,741)	(1,504)	16%
Expenses-to-revenue ratio	12.9%	11.2%	1.7pts
Operating profit	442	290	53%
Other non-operating expenses - net	(132)	(77)	73%
Pre-tax income	310	213	45%
Taxation	(66)	(40)	67%
Profit for the period	244	173	40%
Non-controlling interests	(42)	(5)	716%
Profit attributable to equity holders	202	168	20%
EPS (US cents)			
Basic	1.69	1.41	0.28
Diluted	1.62	1.40	0.22

