

CLEAR MISSION, STRATEGY AND EXECUTION POWER LENOVO TO THIRD STRAIGHT DOUBLE-DIGIT QUARTERLY REVENUE GROWTH AND BACK-TO-BACK QUARTERLY PROFIT GROWTH



Accelerates Earnings and Innovation Momentum; Financial Performance Validates Company's 'Intelligent Transformation' Turnaround Strategy

- Q2 revenue up 14% to US\$13.4 billion, the highest quarterly revenue in nearly four years; and third consecutive YOY double-digit quarterly growth
- Q2 PTI of US\$213 million jumped 89% sequentially; up more than 503% (+US\$178 million) YOY, with all businesses reporting profit improvements
- Major milestones hit across all businesses:
 - PC and Smart Devices business surpasses US\$10 billion revenue mark and returns to undisputed global #1 in PCs with 23.7% market share*
 - Mobile Business Group hits major strategic milestone with operational break-even of Motorola globally
 - Data Center Group is the market's fastest growing of the top three x86 server vendors**

HONG KONG, November 8, 2018 – Lenovo Group (HKSE: 992) (ADR: LNVGY) today announced results for its second fiscal quarter ended September 30, 2018. For the third straight quarter, Lenovo achieved strong double-digit growth in revenue year-over-year. Group revenue reached US\$13.4 billion, up 14% year-over-year (18% YOY excluding currency impact) – reporting its highest quarterly revenue for nearly four years. The company also reported its second consecutive quarter of strong, pre-tax income of US\$213 million, six times as much as the previous year (+US\$178 million) as all businesses reported profit improvements.

In the second fiscal quarter, Lenovo's profit attributable to equity holders grew to US\$168 million, up US\$91 million sequentially, and US\$29 million year-over-year. Basic earnings per share in the second fiscal quarter was 1.41 US cents or 11.06 HK cents. Lenovo's Board of Directors declared an interim dividend of 6.0 HK cents per share.

"Today's results show that Lenovo's focus on Intelligent Transformation continues to successfully underpin our growth in both revenue and profitability. But our numbers only tell part of our story. I'm proud of how we are delivering on both our transformation strategy and our turnaround promise. There is no doubt that Lenovo is in a period of strong, sustainable growth and I am confident that our clear mission, strategy and execution capabilities will continue to drive even stronger results in coming quarters." said Yang Yuanqing, Lenovo Chairman and CEO.

Business Group Overview

During Q2, FY2018/19, Lenovo continued to expand on its new phase of “Intelligent Transformation” growth, thanks to both financial discipline and operational excellence, as well as a lengthening list of technology innovations across all its key business units. Decisive steps to restructure businesses and create new efficiencies taken in prior quarters are already yielding significant results. Lenovo’s key business units each tallied significant growth and market strength during the quarter:

The **Intelligent Devices Group**, energized by the synergy of shared platforms and resources, delivered a strong revenue growth of 10% year-on-year, amounting to US\$11.84 billion.

- During the quarter, **the PC and Smart Devices (PCSD) business** under IDG reported US\$10.2 billion in revenue, up 18% YOY, the first time ever that this business has surpassed US\$10 billion in revenue. Lenovo is now not only the world’s undisputed leader in PC sales with record market share of 23.7%, but the Company also continues to lead industry profitability at 5%. The quarter saw continued strong double-digit growth for high-growth segments including Legion gaming, ThinkStation workstations and thin and light Yoga, ThinkPad and IdeaPad categories – bolstering future premium growth in volume, revenue and profit. The business continues to deliver on its Intelligent Transformation vision with newly launched innovations in Smart IoT products ([Lenovo Smart Home Essentials](#)) that follow on from the Lenovo [Smart Display](#) launched earlier this year.
- **The Mobile Business Group (MBG)** under IDG also continued its marked improvement during Q2, executing on its turnaround strategy that sees the business focusing on reducing expense, simplifying the product portfolio and focusing on core profitable markets. The quarter saw a major strategic milestone achieved - with operational break-even of Motorola globally-reducing operating expenses by US\$175 million compared to Q2 of last year. Of particular note, North American shipments were up sharply during the quarter by 53.4% compared to last year’s Q2, while also showing margin improvement. Topline growth continued in Latin America where Lenovo is #2 regionally. The China business greatly improved revenue, volume and profitability (84.6%, 279.4% and PTI% 25.2% respectively.)

Lenovo’s **Data Center Group (DCG)** reported its fifth consecutive quarter of profit growth (PTI% up 9.5% pts YOY) on a 58% YOY increase in revenue to US\$1.5 billion. Lenovo is not only innovating on solutions it brings to market, highlighted by the strong growth of Hyperscale and Software Defined Infrastructure (SDI), but how the company is bringing those technologies to market. Key global strategic partnerships such as that with [NetApp announced in September](#), have significantly expanded Lenovo’s storage and data management market segment coverage. Hyperscale continued its triple digit YOY growth for the third consecutive quarter; SDI reported strong revenue growth of 150% and the seventh consecutive quarter of 100%+ growth. The division’s momentum during the quarter was underscored by the triple-digit revenue growth in North America, and double-digit growth in EMEA, China and Asia Pacific geographies. Additionally, YOY profitability in all geographies also improved.

* IDC CY2018 Q3 Worldwide Quarterly Personal Computing Device Tracker

** IDC CY2018 Q2 X86 Server Final Historical

About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$45 billion Fortune Global 500 company and a global technology leader in driving Intelligent Transformation through smart devices and infrastructure that create the best user experience. Lenovo manufactures one of the world's widest portfolios of connected products, including smartphones (Motorola), tablets, PCs (ThinkPad, Yoga, Lenovo Legion) and workstations as well as AR/VR devices and smart home/office solutions. Lenovo's data center solutions (ThinkSystem, ThinkAgile) are creating the capacity and computing power for the connections that are changing business and society. Lenovo works to inspire the difference in everyone and build a smarter future where everyone thrives. Follow us on [LinkedIn](#), [Facebook](#), [Twitter](#), [Instagram](#), [Weibo](#), read about the latest news via our [StoryHub](#), or visit our website at <http://www.lenovo.com>.

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The image shows the Lenovo logo, which consists of the word "Lenovo" in white, sans-serif font, oriented vertically on a red rectangular background. A small trademark symbol (TM) is located at the top right of the word.

LENOVO GROUP
FINANCIAL SUMMARY
For the fiscal quarter ended September 30, 2018
(In US\$ millions, except per share data)

	Q2 18/19	Q2 17/18	Y/Y CHG
Revenue	13,380	11,761	14%
Gross profit	1,794	1,613	11%
Gross profit margin	13.4%	13.7%	(0.3) pts
Operating expenses	(1,504)	(1,525)	(1%)
Expenses-to-revenue ratio	11.2%	13.0%	(1.7) pts
Operating profit	290	88	230%
Other non-operating expenses	(77)	(53)	46%
Pre-tax income	213	35	503%
Taxation	(40)	118	N/A
Profit for the period	173	153	13%
Non-controlling interests	(5)	(14)	(64%)
Profit attributable to equity holders	168	139	21%
EPS (US cents)			
Basic	1.41	1.26	0.15
Diluted	1.40	1.26	0.14

