LONG TERM SUSTAINABLE GROWTH STRATEGY DRIVES RECORD RESULTS FOR SECOND CONSECUTIVE QUARTER

- Second consecutive record-breaking quarter, with revenue, pre-tax income, and net income all reporting record highs
- Group revenue up by 22% year-on-year to US$17.2 billion
- Quarterly pre-tax income (PTI) of US$591 million up 52% year-on-year
- Net income up 53% year-on-year to US$395 million
- All core businesses delivered both topline and bottom-line year-on-year growth
- Announces Group organizational changes to drive services-led growth strategy and transformation

HONG KONG, February 3, 2021 – **Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced record Group revenue in the third quarter of US$17.2 billion, up 22% year-on-year. This was the second consecutive record-breaking quarter, driven by strong growth across all core business groups as well as the company's transformation businesses. Profits also set new records, with Q3 pre-tax income up 52% year-on-year to US$591 million, while net income also increased by 53% year-on-year to US$395 million. Lenovo's sustained growth has been boosted by the company's innovative product portfolio adapting quickly to meet the work-, learn- and play-from-home culture of a rapidly changing world, while transformation investments continue to drive new long-term growth opportunities.

Basic earnings per share for the third quarter were 3.31 US cents or 25.66 HK cents.

"The delivery of yet another record-breaking quarter is a reflection of our innovative product portfolio and operational excellence, which drove growth across all businesses," said Yuanqing Yang, Lenovo Chairman and CEO. "Clearly, 2020 was a challenging year that brought remarkable changes to our world, yet Lenovo quickly responded to the changing market driven by new work and lifestyle trends and delivered strong results. Now, as we begin to see the results of our transformation investments, we will further invest in technology and innovation, drive intelligent transformation across industries, and create sustainable growth."

Business Outlook

The challenges of 2020 continue, in varying degrees, into the new year. These include ongoing geopolitical uncertainties, component supply shortages resulting from strong demand, and the global COVID-19 pandemic. Nevertheless, as a global company operating in 180 markets and with more than 30 manufacturing sites around the world, the outlook for 2021 remains positive. The new global norm of work-, study- and play-from-home will continue to drive long-term and sustainable growth trends in device demand and cloud/infrastructure requirements.

Business Group Overview

Lenovo's **Intelligent Devices Group** (IDG) continues to lead the Group's growth with the **PC and Smart Devices Group (PCSD)** delivering another historic quarter. Revenues of US$14 billion, up 27% year-on-year, were accompanied by PTI up 35% year-on-year to US$925 million and a record profit margin of 6.6%. The quarter's results were fueled by Lenovo's operational excellence that captured the growing demand around the world and an innovative product portfolio that quickly adapted to meet the changing needs of customer working, learning, and playing from home. A focus on innovation and high-growth segments helped extend Lenovo's lead as #1 in PCs, with a record 25.3% market share globally. All geographies performed strongly – with North America achieving 60% volume growth year-on-year, EMEA becoming #1 by market share for the first time, Asia Pacific improving profitability to a new record, and China growing shipments 30% year-on-year. The Group sees the year-on-year growth for the PC market as a long-term shift in the technology sector that is sustainable well beyond the pandemic. IDC's latest data confirmed the total market surpassed 300 million units in 2020, driven by a strong calendar year Q4. This further reinforces Lenovo's view that the lifestyle trends of work-, study-, and play-from-home will drive one device per person and continue to drive the demand for PCs, tablets and smart devices for the long term. Lenovo will continue to focus on a combination of innovating to capture customers' new needs and operational excellence to capture this future strong demand.

IDG's second business unit, the **Mobile Business Group (MBG)**, delivered double-digit revenue growth year-on-year, and recovered from the impact of COVID-19 by not only resuming profitability, but also achieving its highest profitability since the Motorola business was acquired. Solid performance in Latin and North America underpinned rapid expansion in Europe and Asia, where there was strong double- and triple-digit growth thanks to expanded carrier relationships and a stronger product mix. The business will continue to leverage its strong product portfolio and 5G innovation to drive future profitable growth.

The **Data Center Group (DCG)** achieved record revenue of US$1.63 billion thanks to across-the-board growth while improving profitability by almost a point year-on-year. The Cloud Service Providers and Enterprise/SMB segments delivered year-on-year growth at a premium to the market. Enterprise/SMB reached US$1 billion in revenue, the highest amount in over three years, while Storage had record revenue and outgrew the market by 11 points. Revenue in Software Defined Infrastructure and Services reached a new record too. Lenovo's TruScale Private Cloud Infrastructure-as-a-Service combined with SAP's HANA Enterprise Cloud has been well received and is generating a strong pipeline of demand, while the business extended its #1 position in TOP500 supercomputers. Looking forward, we will capture growing Hybrid Cloud and IT Infrastructure demand and continue to grow at a premium to the market while improving profitability.

Lenovo's **Intelligent Transformation** businesses continued to make strong progress as total Software and Services revenue* grew almost 36% to a new record of almost US$1.4 billion – over 8% of total group revenue. Revenue* of Attached Services, Managed Services and Solution Services achieved year-on-year growth of nearly 26%, 73% and 49% respectively, while Device-as-a-Service delivered high double-digit growth (74%) year-on-year. In addition, E-commerce revenue grew almost 45% year-on-year and continued to set new records. These outstanding results demonstrate the significance of Intelligent Transformation as a long-term growth catalyst for the Group. Looking ahead the Group sees opportunities to leverage its experience and capabilities to build smart manufacturing, smart education, and smart healthcare solutions.

New Organizational Structure for FY21/22

Lenovo is also today announcing a new organizational structure designed to capitalize on the Group's service-led transformation growth opportunities. Effective 1st April 2021, Lenovo will bring together services and solutions teams and capabilities from across the company to form a dedicated organization - the new **Solutions & Services Group (SSG)**. SSG will further drive the company's transformation by delivering incremental business across smart verticals, attached services, managed services and our 'as a service offerings' including DaaS and Truscale™.

With this, Lenovo's business will be structured into three main business groups aligned to the company's 3S strategy of Smart IoT, Smart Infrastructure and Smart Verticals, namely **IDG (Intelligent Devices Group**) – focused on Smart IoT; **ISG (Infrastructure Solutions Group**, renamed from DCG, Data Center Group) – focused on Smart Infrastructure; and **SSG** – focused on Smart Verticals & Services. IDG will be led globally by **Luca Rossi** (currently SVP & President of PCSD in EMEA and Latin America). ISG will continue to be led globally by **Kirk Skaugen.** And the newly formed global Lenovo Solutions & Services Group (SSG) will be led by **Ken Wong** (currently SVP & President of PCSD in Asia Pacific).

In addition, Lenovo's sales organizations in markets around the world will split into a **China GEO** and an **International Sales Organization**, led respectively by **Liu Jun** (currently EVP & President of IDG in China) and **Matt Zielinski** (currently SVP & President of PCSD in North America), to drive greater synergies and efficiencies between business groups. All above five leaders will report directly to Yuanqing Yang and sit on the Lenovo Executive Committee (LEC).

Gianfranco Lanci, Lenovo's Corporate President and COO has also announced his plans to retire from the company in September 2021. Until then, he will continue to serve in his role as President and Chief Operating Officer of Lenovo Group and be responsible for Lenovo's global business operations across all Business Groups and Sales.

* invoiced revenue

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LENOVO GROUP

FINANCIAL SUMMARY
For the third quarter ended December 31, 2020
(in US$ millions, except per share data)

	Q3 20/21	Q3 19/20	Y/Y CHG
Revenue	17,245	14,103	22%
Gross profit	2,786	2,265	23%
Gross profit margin	16.2%	16.1%	0.1 pts
Operating expenses	(2,085)	(1,777)	17%
Expenses-to-revenue ratio	12.1%	12.6%	(0.5) pts
Operating profit	701	488	44%
Other non-operating expenses - net	(110)	(98)	12%
Pre-tax income	591	390	52%
Taxation	(160)	(85)	89%
Profit for the period	431	305	41%
Non-controlling interests	(36)	(47)	(23)%
Profit attributable to equity holders	395	258	53%
EPS (US cents)			
Basic	3.31	2.16	1.15
Diluted	3.08	2.07	1.01