Smarter technology for all

Q1FY26 Earnings Announcement

Aug 14, 2025

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Smarter technology for all

Yuanqing Yang

Chairman & CEO

August 14, 2025

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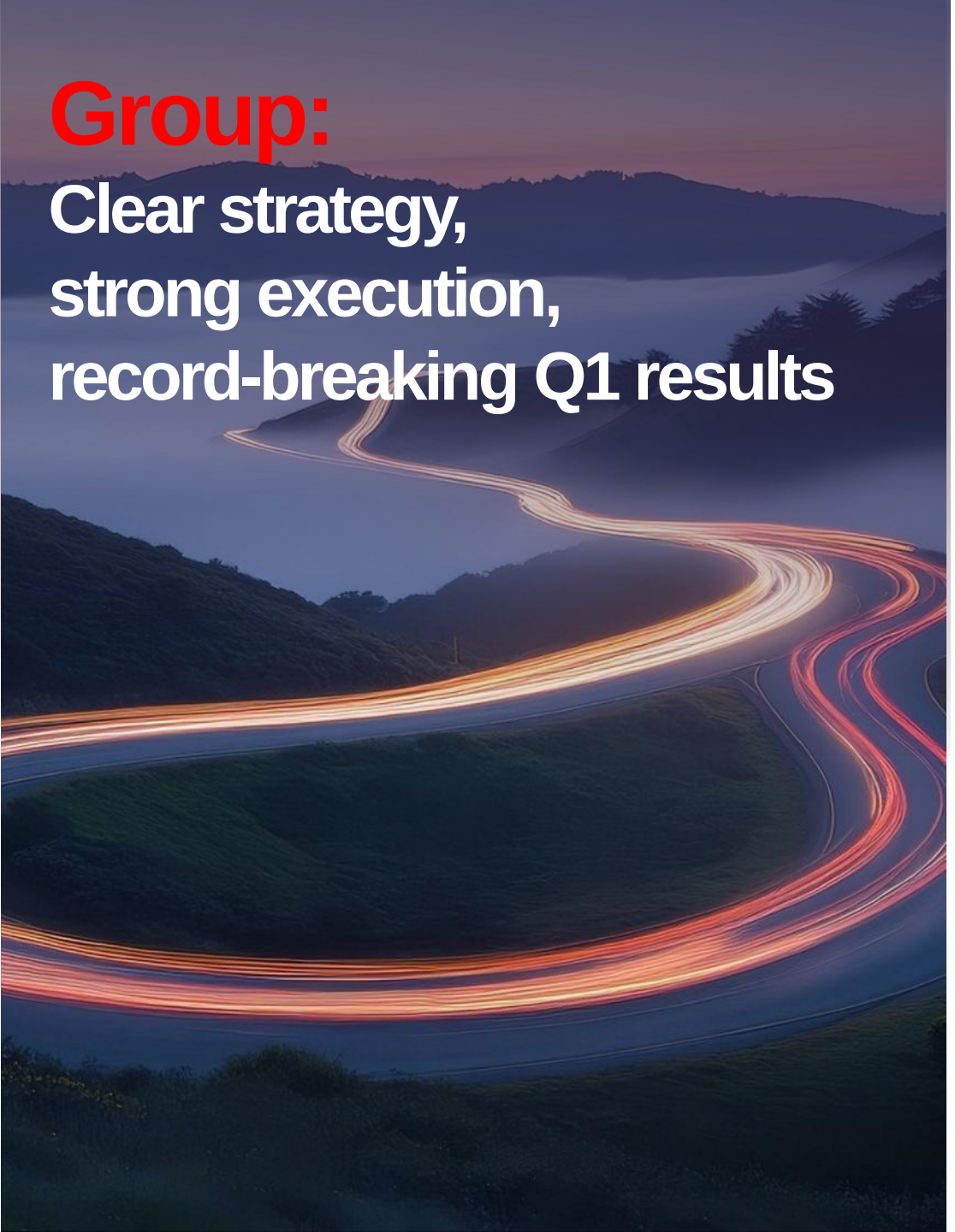


Performance

- **Revenue**: **$18.8 billion**, **+22%** YoY, record fiscal Q1
- **Net income**(non-HKFRS): **$389 million**, **+22%** YoY
- **Net income**(HKFRS): **$505 million**, **+108%** YoY
- **Main businesses**(IDG/ISG/SSG): revenue YoY growth all in double digits
  - PC: revenue **+20%** YoY, fastest growth in **15** quarters
  - Non-PC: revenue mix **47%**
- **Geo performance**: high/relatively high revenue growth YoY

Source: Internal

Group:

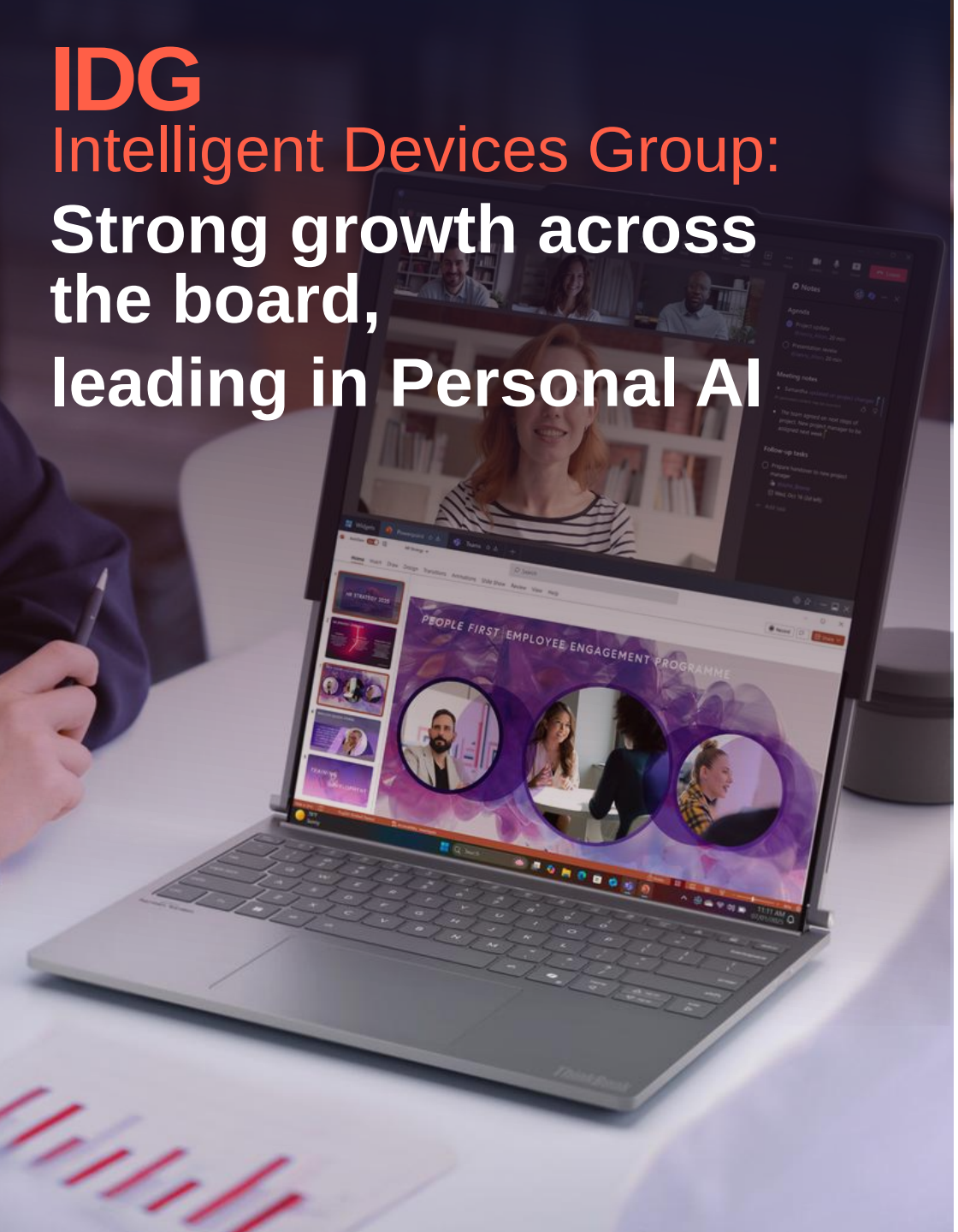
Clear strategy, strong execution, record-breaking Q1 results

Outlook

- AI era brings huge opportunities for devices, infrastructure, solutions & services
- Firm execution of Hybrid AI strategy toward “Smarter AI for all”
- Driving innovation around AI, R&D investment up double-digit YoY
- Leveraging ODM+ & Global/Local model to navigate uncertainties; solidifying foundation, enhancing competitiveness

Source: Industry research, Internal

IDG
Intelligent Devices Group:
Strong growth across the board, leading in Personal AI



Performance

- Revenue **$13.5 billion**, **+18%** YoY
- Strong profitability, operating margin **7.1%**
- **PC and related business:** revenue **+19%** YoY, industry leading profitability; China business returned to double-digit revenue growth YoY
  - **PC:** revenue **+20%** YoY; market share **24.6%**, record high; **#1** in global Windows AI PC market
- **Smartphone:** revenue **+14%** YoY; sales volume PTM growth for **8** consecutive quarters; record high market share and #1 in foldables with **51%** share in markets outside of China

Source: Internal, IDC

IDG
Intelligent Devices Group:

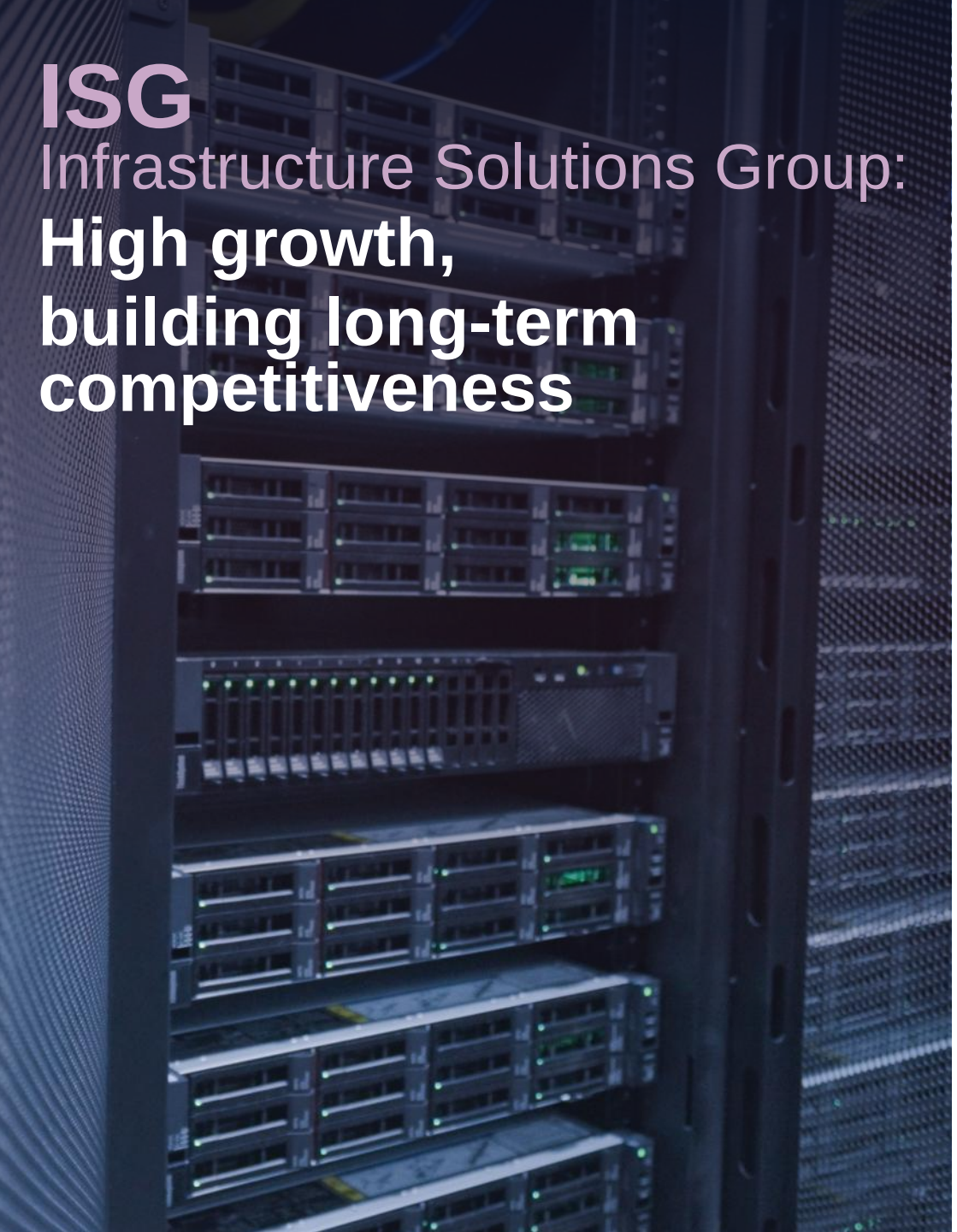
Strong growth across the board,

leading in Personal AI

Outlook

- Building agent-native devices of various forms
- Enriching AI super agent app ecosystem, boosting user engagement
- Driving toward “One AI, Multiple Devices”, positioning agent-native devices as the entry point for Personal AI, building a unified cross-devices & cross-ecosystem platform orchestrated across “Client-Edge-Cloud”

Source: Internal



ISG
Infrastructure Solutions Group:
High growth, building long-term competitiveness

Performance

- Revenue **$4.3 billion**, **+36%** YoY
- Investments on AI infrastructure market and R&D, and ESMB competitiveness
- CSP revenue **+36%** YoY
- ESMB revenue **+35%** YoY
- AI infrastructure revenue more than doubled YoY, strong pipeline
- Neptune liquid cooling solutions revenue **+30%** YoY
- China business revenue hypergrowth YoY, significant operating margin improvement

Source: Internal

ISG
Infrastructure Solutions Group:
High growth, building long-term competitiveness

Outlook

- Adoption of Enterprise AI accelerates, market demand for hybrid AI infrastructure grows
- Continue to execute the CSP & ESMB dual strategy
- Continue to invest in AI infrastructure and ESMB competitiveness
- Confidence in driving mid to long term sustainable growth & profitability improvement

Source: Industry research, Internal

SSG
Solutions & Services Group:
High growth & high margin, unleashing Lenovo Hybrid AI Advantage

Performance

- Revenue **$2.3 billion**, **+20%** YoY, record high
- Operating margin **22.2%**
- Support Services revenue **+12%** YoY
- Managed Services revenue **+36%** YoY, Projects & Solutions revenue **+18%** YoY, combined mix **58%**, **+3pts** YoY
- AI solutions strong momentum

Source: Internal

SSG

Solutions & Services Group:

High growth & high margin, unleashing Lenovo Hybrid AI Advantage

Outlook

- Hybrid AI driving solutions & services demand growth
- Build capabilities under Lenovo Hybrid AI Advantage framework to serve customers' needs
  - Build horizontal building blocks - Digital Workplace Solutions, hybrid cloud, sustainability solutions, etc.
  - Build vertical solutions powered by AI

Source: Industry research, Internal

Driving Hybrid AI strategy, advancing Personal AI & Enterprise AI

- **Personal AI:** building agent-native devices of various forms, enriching AI super agent app ecosystem, driving user engagement (WAU% averaging **40%** since Tianxi AI super agent went live), delivering highly personalized user-centric experience
- **Enterprise AI:** building AI model factory, developing AI agent platform to make Lenovo Hybrid AI Advantage real
- **Tech World**: more innovations to come at the grandest Lenovo Tech World @ Sphere, Jan 6th 2026

Source: Internal

Smarter AI for All

Smarter technology for all

Winston Cheng

Chief Financial Officer

August 14, 2025

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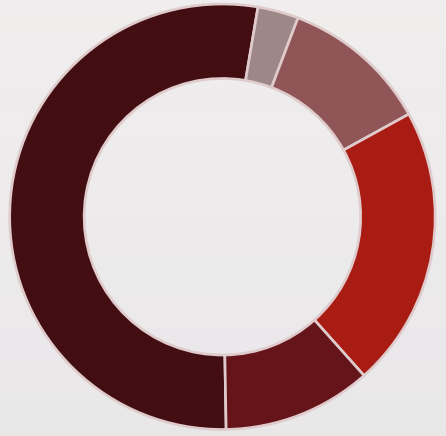
Record-High First Quarter

Double-digit Growth across all BGs on Innovation Leadership, Supply Chain Resilience, and Operational Agility

- ✓ **Record first fiscal quarter revenue US$18.8b** (+**22%** YoY), with **double-digit** growth across **all BGs**
- ✓ **Diversified** growth engines accelerated, with **non-PC** revenue now accounting for **47%** of total revenue across all 3 business groups
- ✓ **HKFRS** net income **US$505m** (+**108%** YoY); **Non-HKFRS** net income **US$389m** (+**22**% YoY)
- ✓ Strong growth in **AI Revenues**[1] across the Group



Others

Smartphone

7 *consecutive quarters of* ***double-digit YoY*** *revenue growth &* ***8*** *quarters of above-market growth*

PC

Record-high *market share 24.6%*

ISG

Strong growth with ***AI server*** *revenue more than doubled YoY*

SSG

Record *revenue quarter with margin expansion YoY*

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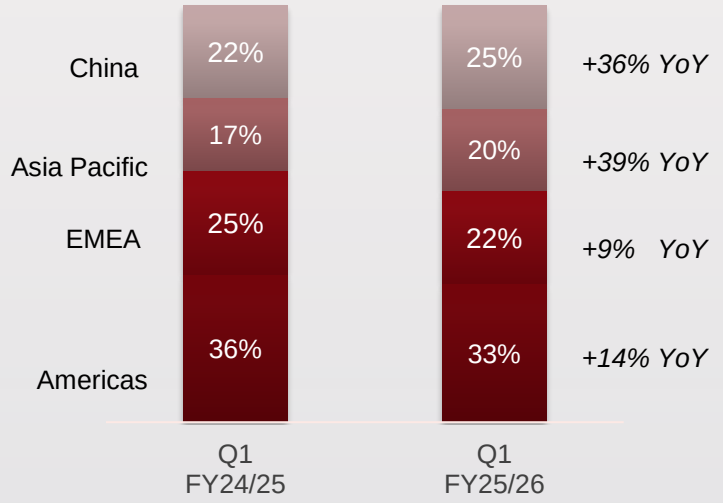
Balanced Growth Across Global Markets

- ✓ **PRC**: Solid growth across all business segments
- ✓ **AP**: PC and Smartphone market share gain in key markets such as Japan and India
- ✓ **Americas**: PC market share gains for **9th** consecutive quarter[1]
- ✓ **EMEA**: Record bookings in DaaS and Software driving services revenue

All **Geos** delivered strong YoY growth, validating the effectiveness of our **"Global/Local"** model and **ODM +** Model



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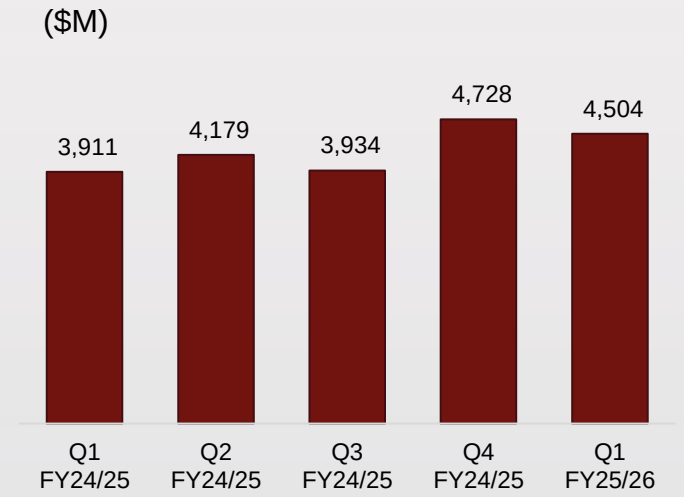
Cash Position

Strong OCF and Effective Finance Cost Reduction to Support Business Growth

- **FCF** rebounded to **US$751m** despite higher CAPEX, driven by strong OCF; Q1 OCF at US$1.2b
- **Cash and cash equivalent** at **US$4.5b**, up **15%** YoY, providing liquidity and financial flexibility
- **Net finance costs** reduced by **9%** YoY supported by rate cuts and cost saving measures; Non-HKFRS Net Finance costs down **23%** YoY (excludes US$28m notional interest for CB)

Healthy **cash position** supported by strong OCF and disciplined cash expenditure



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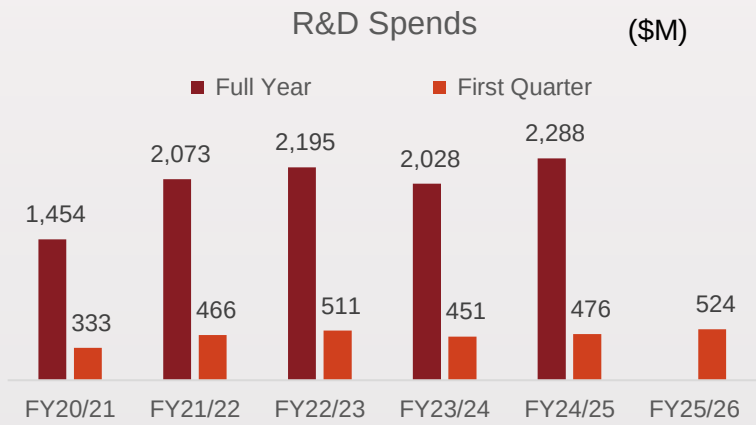
R&D Investment to Fuel Long-term Growth & Transformation

- ✓ **R&D investment** increased by **10%** YoY **(US$524m)** in Q1 FY25/26, reinforcing our long-term commitment to Hybrid AI innovations supporting the Group's strategy positions levered to AI Growth opportunities
- ✓ **R&D technical workforce** grew to nearly **20,000** employees, up 10% year-on-year, comprising 28% of total headcount
- ✓ Well positioned to capture **structural growth opportunities** across personal and enterprise AI



R&D Investment 5-Year CAGR

11%

R&D Headcount

20K

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Award-Winning Innovation

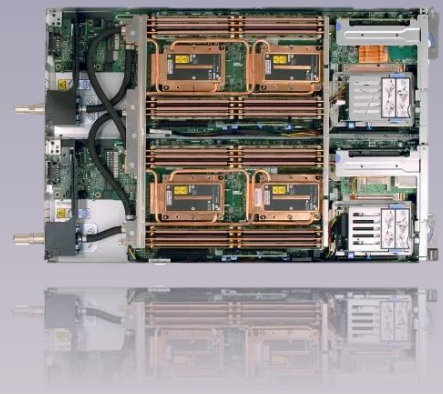
Yoga Solar PC (Concept)

- Solar panel features “Back Contact Cell” technology with over 24% conversion rate—among the industry’s highest
- 20 minutes of enough direct sunlight powers up to 1 hour of video playback

ThinkBook Plus Gen 6 Rollable (Production)

- The world’s first rollable display AI PC with nearly 50% additional screen space
- Tailored for seamless multitasking capabilities
- Winning a record-high 75 awards at CES

Neptune liquid-cooling technology



- Liquid-cooling design with 100% heat removal to enable customers to run 100KW+ server racks without specialized air conditioning

The Brilliant Collection with Swarovski® Crystals (Tech + Fashion)

- Fashion and function shine with Motorola Razr and Moto Buds Loop, encrusted with crystals by Swarovski ®
- Motorola Razr features a 6.9” foldable pOLED main display and 3.6” pOLED external display
- Trigger AI experiences with simple voice commands

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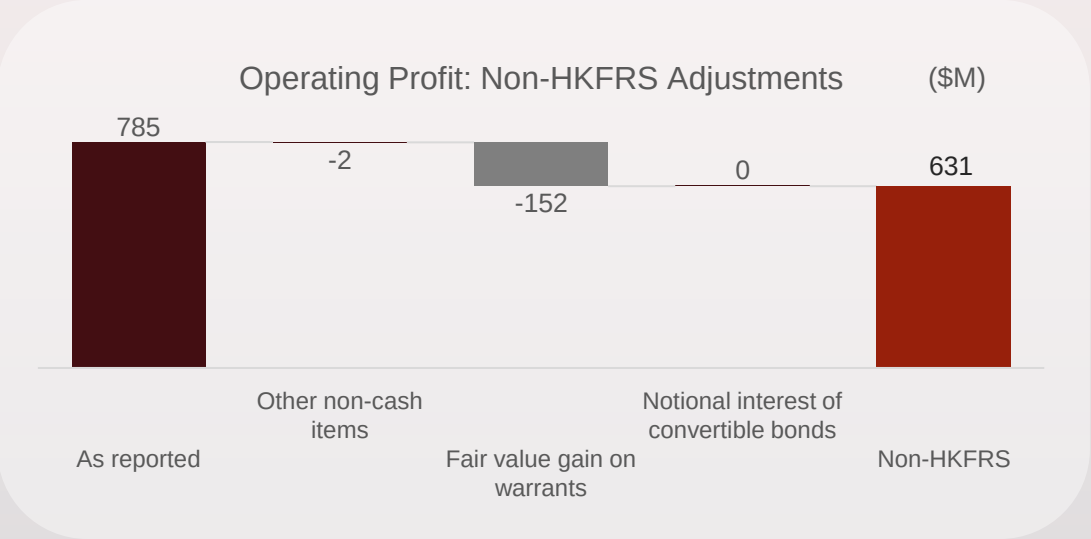
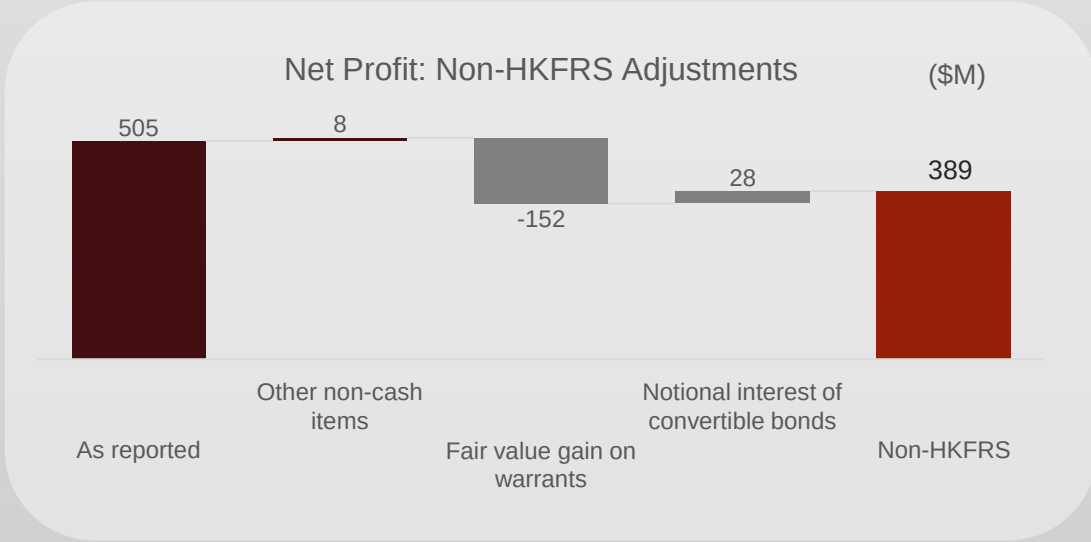
Non-HKFRS Adjustments

- ✓ Non-cash fair value **gain** from **Warrants**: **US$152m**
- ✓ Notional interest from **Convertible Bonds**: **US$28m**
- ✓ **Non-HKFRS** measure offers a clearer view of our **core operational performance**
- ✓ Adjustments due to warrants and CBs related to the Alat strategic partnership are expected to persist through the **end of FY 27/28**

Other non-cash items include

- *Net fair value changes on financial assets at fair value through profit or loss*
- *Amortization of intangible assets resulting from mergers and acquisitions*
- *Impairment and write-off of intangible assets, property, plant and equipment and construction-in-progress*





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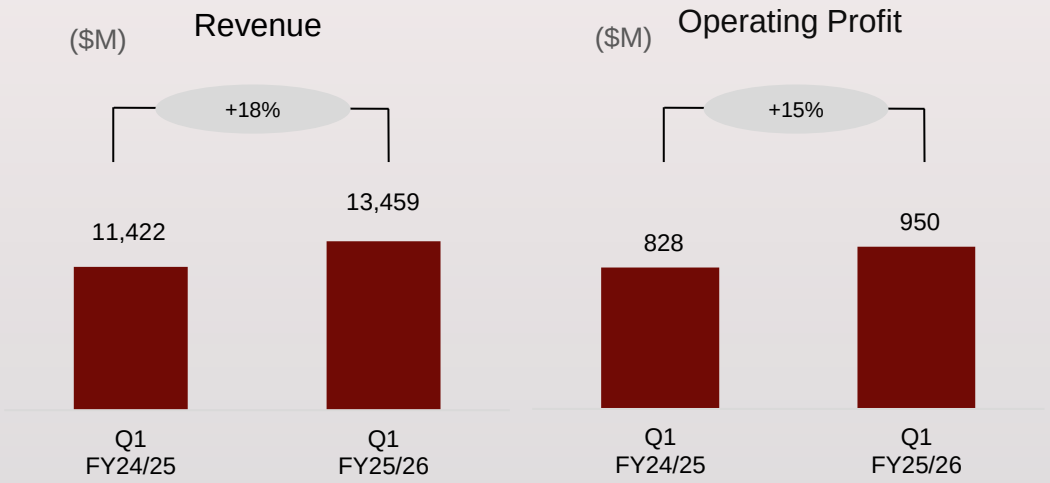
IDG
Intelligent Devices Group

- ✓ **Expanded PC leadership** globally with 24.6% global market share[1]
- ✓ Industry-leading profitability fueled by strong momentum in premium products despite tariff impact
- ✓ **MBG** among the fastest growing OEMs[2], with **7** consecutive quarters of **double-digit** YoY revenue growth
- ✓ Clear advantage in enabling **cross-device AI ecosystem**; “One AI, multiple devices”



*Lenovo **AI PC** of total shipment % in 2QCY25[1] reached*

31%

***PCSD** delivered fastest revenue YoY growth in*

15 quarters

***Smartphone** premium revenue mix, +7pts YoY*

37%

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1. IDC 2QCY25 data; 2. Counterpoint global smartphone report

IDG Leadership in All Key PC Categories

Commercial PC

#1 global M/S

27.9%

+2.2pts YoY

Consumer PC

#1 global M/S

20.2%

+1.1pts YoY

Gaming PC

#1 global M/S

18.5%

+2.2pts YoY

Windows AI PC

#1 global M/S

30.6%

+2.8pts YoY

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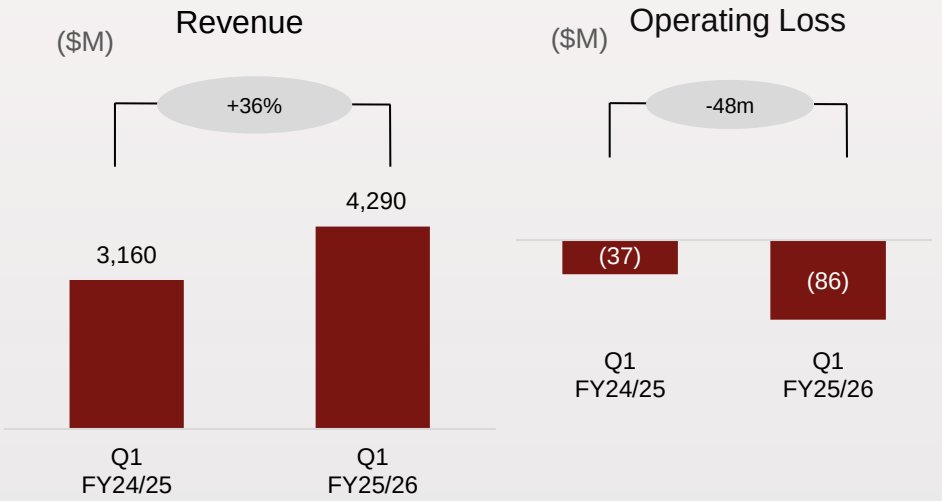
ISG
Infrastructure Solutions Group

- ✓ **Strong revenue growth of +36% YoY** capturing dual CSP+ESMB growth opportunities
- ✓ AI server revenue **more than doubled** YoY, underpinned by a robust pipeline and a clear roadmap
- ✓ Short-term profitability impact due to strategic investments to enhance **long-term AI capabilities and ESMB transformation**
- ✓ **PRC** delivered exceptional **hypergrowth** offering a full-stack AI-driven infrastructure product strategy to meet local customer needs



***AI Server** revenue contribution YoY*

>2x

***AI Customer Adoption** YoY increased*

+40%

***Neptune liquid-cooling** technology revenue YoY grew at*

Double Digit

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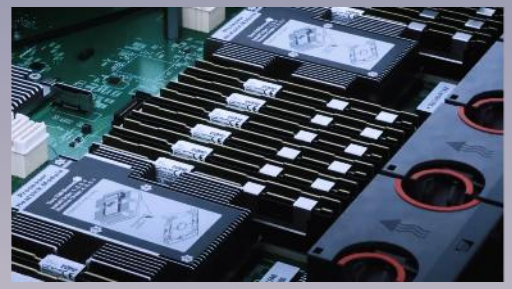
ISG Customer Win Highlights in Q1 FY25/26

CSP

Sample customer wins

- **CSP** provides cloud computing, security solutions, and content delivery network services
- **CSP** offers AI Cloud and AI Data Center co-location services

ESMB



Sample customer wins

- **Ad-tech company** deploys Lenovo solutions with high performance and low latency
- **Retail chains** leverages Lenovo's AI Innovator Ecosystem to deliver scalable and resilient edge AI solutions
- **Financial institution** leverages Lenovo technology for AI training, computer vision, voice recognition, multimodal models, and LLMs

HPC/AI

Sample customer wins

- **Educational institution** implements a flagship research cluster based on Lenovo technology
- **Financial information company** expands storage-rich nodes to support the growth of its computing grid
- **AI infrastructure provider** leverages Neptune liquid-cooling solutions to power its AI factory

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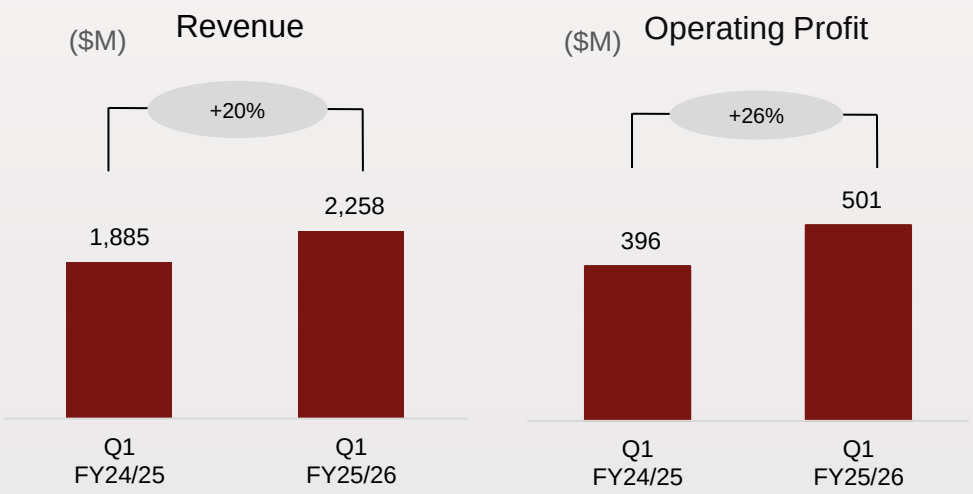
SSG
Solutions & Services Group

- ✓ **Record-high** quarterly revenue with **+20%** YoY growth with **margin expansion** to 22% operating margin, +1.2pts YoY
- ✓ SSG revenue grew **>2x** the industry rate with concentration in high-growth areas like **Hybrid Cloud, AI, and DWS**[1]
- ✓ Momentum in **"As-a-Service" offerings** accelerated, with Managed Services and Project & Solutions Services contributing **58%** of SSG revenue
- ✓ **$3.5b** in **deferred revenue** provides high visibility to SSG growth
- ✓ Our **Hybrid AI Advantage** provides **a full spectrum** of offerings in developing scalable horizontal and vertical AI solutions



***Revenue** YoY growth for consecutive*

17 quarters

***TruScale IaaS** bookings YoY growth*

Triple-digits

Deferred revenue

$3.5b

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1. Gartner, IDC, Canalys and Internal estimate

SSG Customer Win Highlights in Q1 FY25/26

Financial Services

End-to-end AI Solution with LLM-in-a-Box
Banking

AI-enabled Lending process transformation
Credit Services

AI-led Compliance Solution
Insurance

Warehousing, Construction and Logistics

TruScale IaaS services for multi-country rollout
Construction

Secure Infrastructure Operations
Transportation

Private Cloud platform with Multi-Cloud management
Construction
Investment

Intelligent Supply Chain AI Agent
Construction
Machinery

Technology

Predictive AI Platform on Databricks
Telecom

Scalable AI Infrastructure
AI & Cloud

End-to-end DWS Solution
Technology

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Supplemental Financial Materials

1. Financial Summary
2. Condensed Consolidated Income Statement
3. Condensed Consolidated Balance Sheet
4. Condensed Consolidated Cash Flow Statement
5. Non-HKFRS Adjustments

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1. Financial Summary

US$ Million	Q1 24/25	Q1 25/26	Y/Y%
Revenue	15,447	**18,830**	22%
Gross profit	2,560	**2,774**	8%
Operating expenses	(2,066)	**(1,989)**	-4%
Operating profit	494	**785**	59%
Operating profit (non-HKFRS)	572	**631**	10%
Other non-operating income/ (expenses) - net	(181)	**(163)**	-10%
Profit before taxation	313	**622**	99%
Profit before taxation (non-HKFRS)	397	**497**	25%
Taxation	(60)	**(84)**	42%
Profit for the period	253	**538**	112%
Profit for the period (non-HKFRS)	330	**412**	25%
Profit attributable to			
Other non-controlling interests	10	**33**	218%
Equity holders of the Company	243	**505**	108%
Equity holders of the Company (non-HKFRS)	320	**389**	22%
EPS (US cents)			
Basic	1.99	**4.12**	107%
Diluted	1.92	**3.65**	90%

	Q1 24/25	Q1 25/26
Gross margin	16.6%	**14.7%**
Operating margin	3.2%	**4.2%**
OPEX ratio	13.4%	**10.6%**
PBT margin	2.0%	**3.3%**
Net margin	1.6%	**2.7%**

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2. Condensed Consolidated Income Statement

US$ Million	Q1 24/25	Q1 25/26
Revenue	15,447	**18,830**
Cost of sales	(12,887)	**(16,056)**
Gross profit	2,560	**2,774**
Selling and distribution expenses	(836)	**(955)**
Administrative expenses	(651)	**(677)**
Research and development expenses	(476)	**(524)**
Other operating income/(expenses) – net	(103)	**167**
Operating profit	494	**785**
Finance income	26	**28**
Finance costs	(200)	**(187)**
Share of losses of associates and joint venture	(7)	**(4)**
Profit before taxation (PTI)	313	**622**
Taxation	(60)	**(84)**
Profit for the period	253	**538**
Profit attributable to		
Other non-controlling interests	10	**33**
Equity holders of the Company	243	**505**
Per share data		
Earnings per share (US cents) – Basic	1.99	**4.12**
Earnings per share (US cents) – Diluted	1.92	**3.65**

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3. Condensed Consolidated Balance Sheet

US$ Million	As of Jun 30, 2024	**As of Jun 30, 2025**
Current assets	24,557	**29,761**
Bank deposits and cash	3,973	**4,587**
Trade, lease, notes and other receivables	12,321	**16,025**
Inventories	7,778	**8,743**
Others	485	**406**
Non-current assets	15,928	**16,562**
Property, plant and equipment	1,987	**2,094**
Intangible assets	8,199	**8,329**
Others	5,742	**6,139**
Current liabilities	28,839	**31,285**
Borrowings	1,014	**65**
Trade, notes, other payables, accruals and provisions	26,023	**28,844**
Deferred revenue	1,428	**1,712**
Others	374	**664**
Non-current liabilities	5,580	**7,597**
Borrowings	2,610	**4,368**
Deferred revenue	1,463	**1,738**
Others	1,507	**1,491**
Total equity	6,066	**7,441**

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4. Condensed Consolidated Cash Flow Statement

US$ Million	Q1 24/25	Q1 25/26
Net cash generated from operating activities	791	**1,219**
Net cash used in investing activities	(320)	**(421)**
Net cash used in financing activities	(47)	**(1,087)**
Increase/(decrease) in cash and cash equivalents	424	**(289)**
Effect of foreign exchange rate changes	(73)	**66**
Cash and cash equivalents at the beginning of the period	3,560	**4,728**
Cash and cash equivalents at the end of the period	3,911	**4,505**

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5. Non-HKFRS Adjustments

US$ Million	Q1 24/25				Q1 25/26			
	Operating profit	Profit before taxation	Profit for the period	Profit attributable to equity holders	Operating profit	Profit before taxation	Profit for the period	Profit attributable to equity holders
As reported	494	313	253	243	**785**	**622**	**538**	**505**
Non-HKFRS adjustments								
Net fair value changes on financial assets at fair value through profit or loss	11	11	10	10	**(21)**	**(21)**	**(19)**	**(9)**
Amortization of intangible assets resulting from mergers and acquisitions	43	44	34	34	**16**	**17**	**14**	**14**
Gain on deemed disposal of a subsidiary	(23)	(23)	(19)	(19)	-	-	-	-
Impairment and write-off of intangible assets, property, plant and equipment and construction-in-progress	47	47	47	47	**3**	**3**	**3**	**3**
Fair value gain on derivative financial liabilities relating to warrants	-	-	-	-	**(152)**	**(152)**	**(152)**	**(152)**
Notional interest of convertible bonds	-	5	5	5	**-**	**28**	**28**	**28**
Non-HKFRS	572	397	330	320	**631**	**497**	**412**	**389**

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