

Smarter technology for all

Q1FY26 Earnings Announcement

Aug 14, 2025

Lenovo

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Smarter technology for all

Yuanqing Yang

Chairman & CEO

August 14, 2025

Lenovo



Group:

Clear strategy,
strong execution,
record-breaking Q1 results

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

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

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

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”

The background of the slide features a close-up, slightly angled view of several server racks. The racks are filled with various server units, some of which have green indicator lights glowing. The image is in a cool, blue-toned color palette, giving it a high-tech, data-center feel.

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

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

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

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

Lenovo Tech World @ CES

Join us January 6 at
Sphere in Las Vegas

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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



Smarter AI for All

Smarter technology for all

Winston Cheng

Chief Financial Officer

August 14, 2025

Lenovo

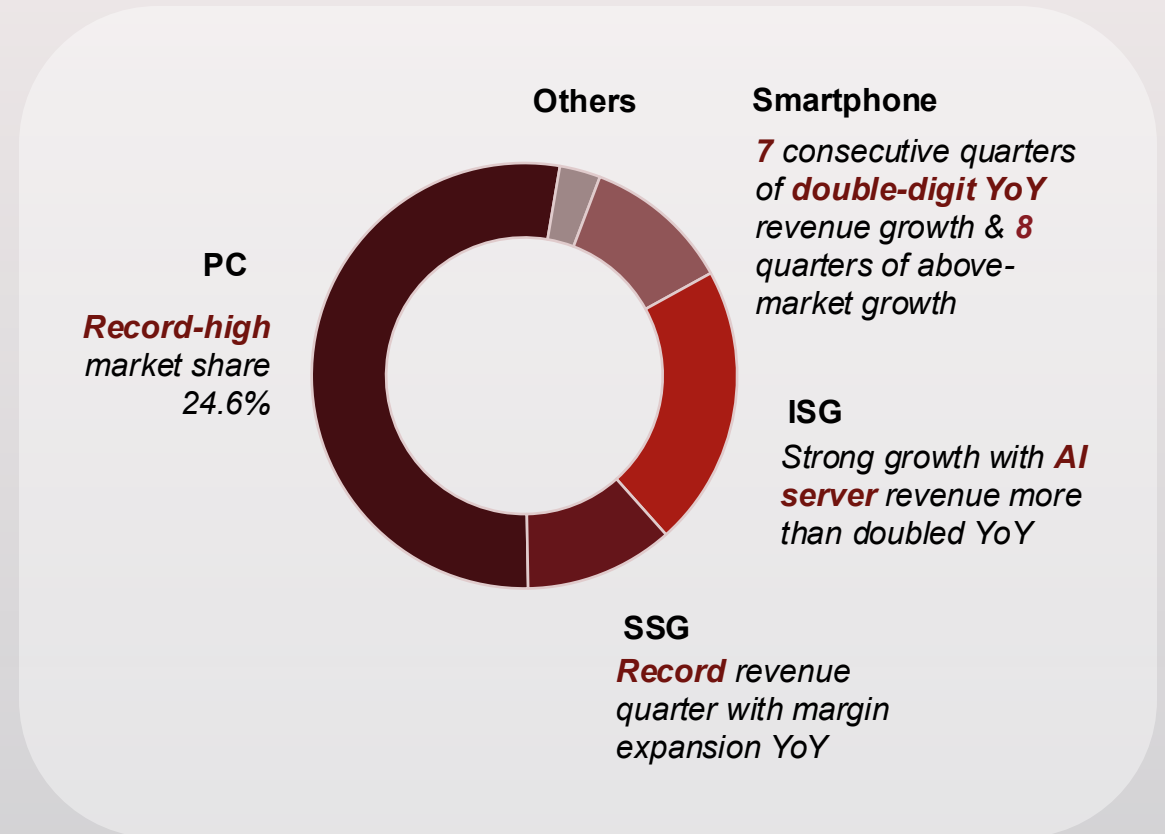
Lenovo

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Record-High First Quarter

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

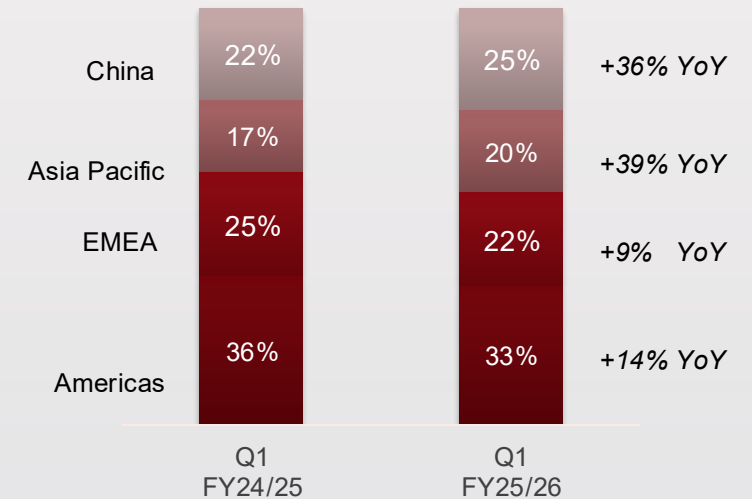
- ✓ **Record first fiscal quarter revenue US\$18.8b** (+22% YoY), with **double-digit** growth across **all BGs**
- ✓ **Diversified** growth engines accelerated, with **non-PC** revenue now accounting for **47%** of total revenue across all 3 business groups
- ✓ **HKFRS** net income **US\$505m** (+108%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



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 quarter¹
- ✓ **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**



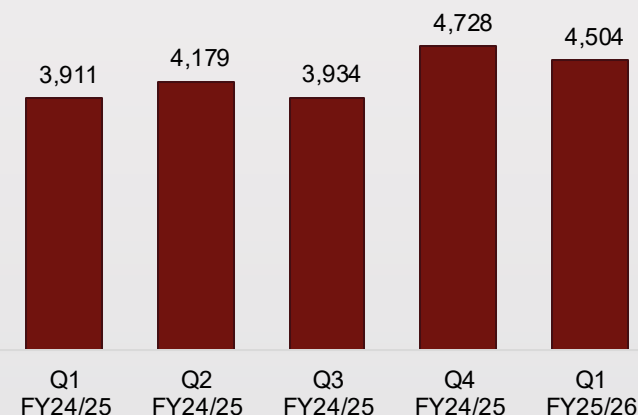
Cash Position

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)

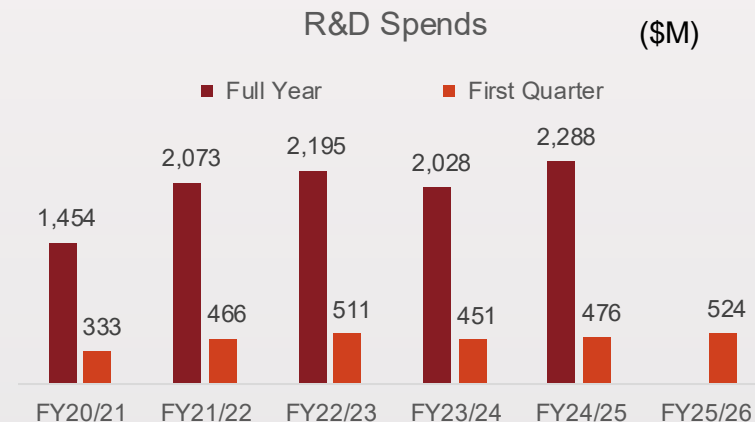
Healthy **cash position** supported by strong OCF and disciplined cash expenditure

(\$M)



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

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)



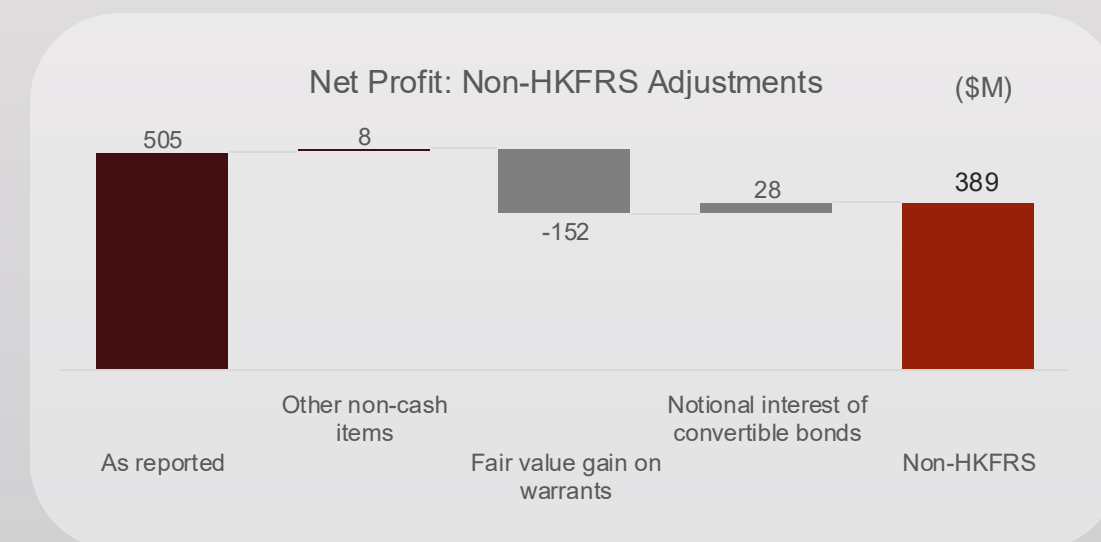
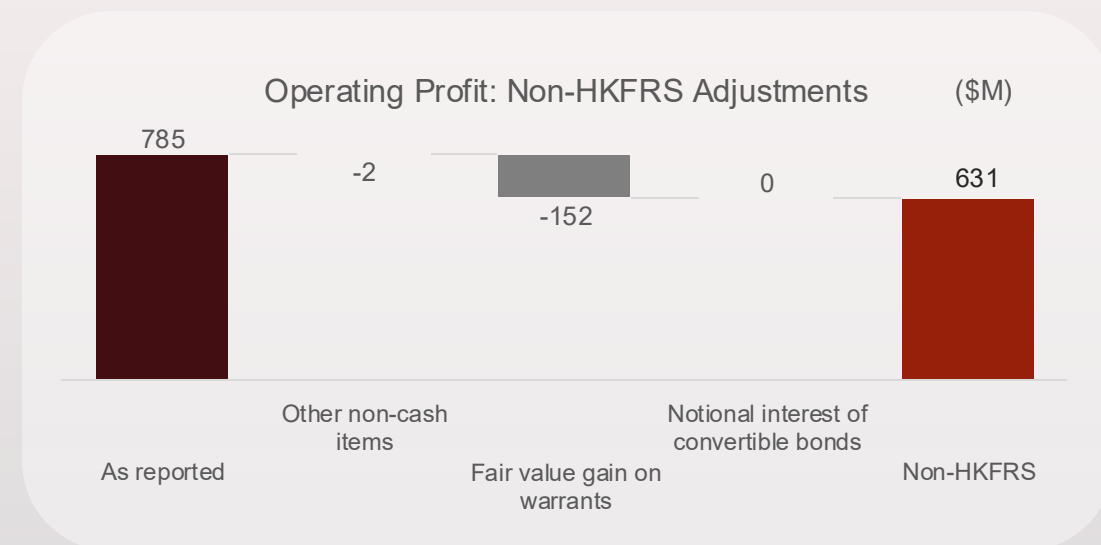
- Fashion and function shine with Motorola Razr and Moto Buds Loop, encrusted with crystals by Swarovski®
- Motorola Razr features a 6.9” foldable pOLED main display and 3.6” pOLED external display
- Trigger AI experiences with simple voice commands

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

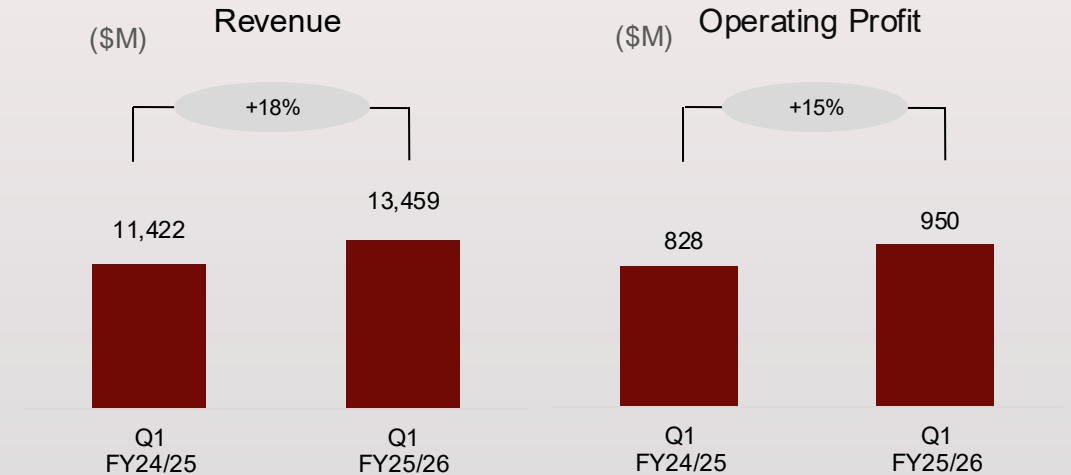
- *Net fair value changes on financial assets at fair value through profit or loss*
- *Amortization of intangible assets resulting from mergers and acquisitions*
- *Impairment and write-off of intangible assets, property, plant and equipment and construction-in-progress*



IDG

Intelligent Devices Group

- ✓ **Expanded PC leadership** globally with 24.6% global market share¹
- ✓ Industry-leading profitability fueled by strong momentum in premium products despite tariff impact
- ✓ **MBG** among the fastest growing OEMs², 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 2QCY25¹ reached

31%

PCSD delivered fastest revenue YoY growth in

15 quarters

Smartphone premium revenue mix, +7pts YoY

37%

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

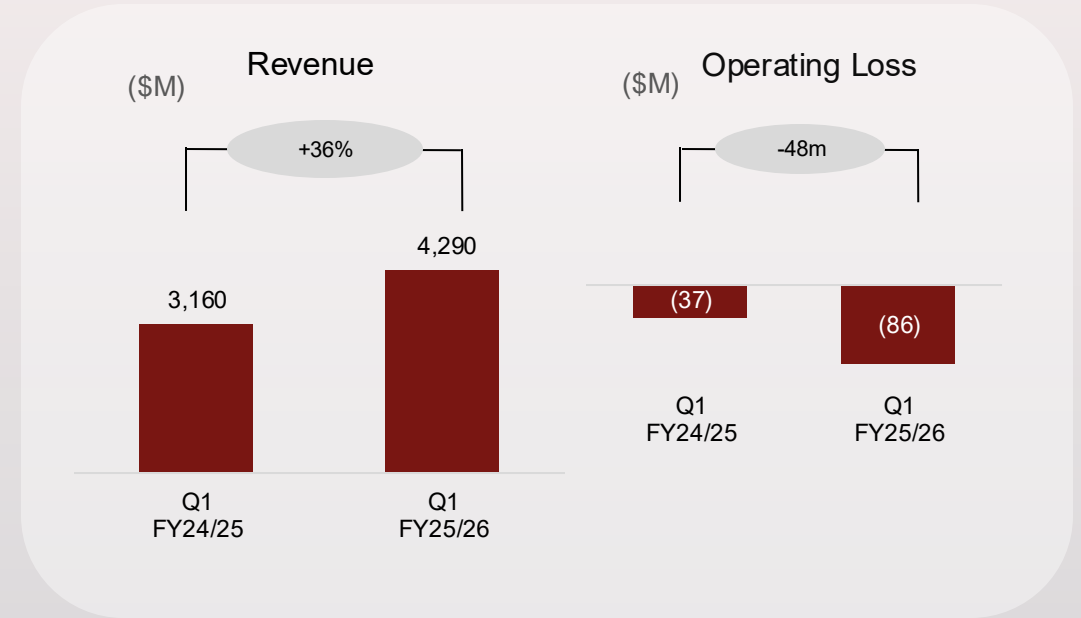
Windows
AI PC

#1 global M/S

30.6%

+2.8pts YoY

- ✓ **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

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



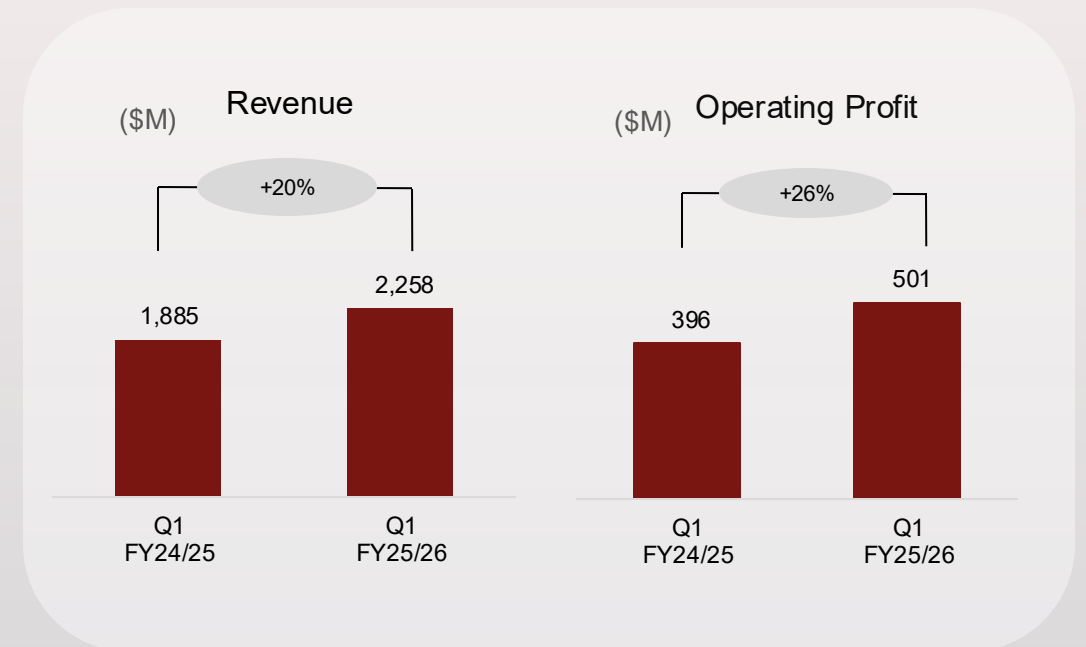
Sample customer wins

- **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

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

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

**Smarter
technology
for all**

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thanks.

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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%

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

3. Condensed Consolidated Balance Sheet

<i>US\$ Million</i>	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

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

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