

Lenovo Plans to Acquire IBM's x86 Server Business

Research Triangle Park, North Carolina, and Armonk, New York – January 23, 2014: Lenovo (HKSE: 992) (ADR: LNVGY) and IBM (NYSE: IBM) have entered into a definitive agreement in which Lenovo plans to acquire IBM's x86 server business. This includes System x, BladeCenter and Flex System blade servers and switches, x86-based Flex integrated systems, NeXtScale and iDataPlex servers and associated software, blade networking and maintenance operations. The purchase price is approximately US\$2.3 billion, approximately two billion of which will be paid in cash and the balance in Lenovo stock.

IBM will retain its System z mainframes, Power Systems, Storage Systems, Power-based Flex servers, and PureApplication and PureData appliances.

The agreement builds upon a longstanding collaboration that began in 2005 when Lenovo acquired IBM's PC business, which included the ThinkPad line of PCs. In the period since the companies have continued to collaborate in many areas.

IBM will continue to develop and evolve its Windows and Linux software portfolio for the x86 platform. IBM is a leading developer of software products for x86 servers with thousands of products and tens of thousands of software developer and services professionals who build software for x86 systems.

Lenovo and IBM plan to enter into a strategic relationship which will include a global OEM and reseller agreement for sales of IBM's industry-leading entry and midrange Storwize disk storage systems, tape storage systems, General Parallel File System software, SmartCloud Entry offering, and elements of IBM's system software portfolio, including Systems Director and Platform Computing solutions.

Following the closing of the transaction, Lenovo will assume related customer service and maintenance operations. IBM will continue to provide maintenance delivery on Lenovo's behalf for an extended period of time, so customers should see little change in their maintenance support.

Approximately 7,500 IBM employees around the world, including those based at major locations such as Raleigh, Shanghai, Shenzhen and Taipei, are expected to be offered employment by Lenovo.

This agreement follows recent announcements by IBM that it will invest more than \$1 billion in the new IBM Watson Group, and \$1.2 billion to expand its global cloud computing footprint to 40 data centers worldwide in 15 countries across five continents.

"This acquisition demonstrates our willingness to invest in businesses that can help fuel profitable growth and extend our PC Plus strategy," said Yang Yuanqing, chairman and CEO, Lenovo. "With the right strategy, great execution, continued innovation and a clear commitment to the x86 industry, we are confident that we can grow this business successfully for the long-term, just as we have done with our worldwide PC business."

"This divestiture allows IBM to focus on system and software innovations that bring new kinds of value to strategic areas of our business, such as cognitive computing, Big Data and cloud," said Steve Mills, Senior Vice President and Group Executive, IBM Software and Systems. "IBM has a proven record of innovation and transformation, which has enabled us to create solutions that are highly valued by our clients."

The transaction is subject to the satisfaction of regulatory requirements, customary closing conditions and any other needed approvals. Subsequent local closings will occur subject to similar conditions, agreements and the information and consultation process in applicable countries.

While the transaction is being completed, both companies expect no change in their independent, existing server

operations, including customer service and product availability.

About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$34 billion personal technology company – the largest PC maker worldwide and an emerging PC Plus leader – serving customers in more than 160 countries. Dedicated to exceptionally engineered PCs and mobile internet devices, Lenovo’s business is built on product innovation, a highly-efficient global supply chain and strong strategic execution. Formed by Lenovo Group’s acquisition of the former IBM Personal Computing Division, the Company develops, manufactures and markets reliable, high-quality, secure and easy-to-use technology products and services. Its product lines include legendary Think-branded commercial PCs and Idea-branded consumer PCs, as well as servers, workstations, and a family of mobile internet devices, including tablets and smart phones. Lenovo, a global Fortune 500 company, has major research centers in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; and Raleigh, North Carolina. For more information see www.lenovo.com.

About IBM

For more information about IBM, visit <http://www.smartercomputingblog.com/>

Contact information:

Jeff Cross
IBM Media Relations
+1 (203) 216-1531
jrcross@us.ibm.com

Ray Gorman
Lenovo
+1 (919) 257-6325
rgorman@lenovo.com

Sean Tetpon
IBM Media Relations
+1 (678) 630-6705
stetpon@us.ibm.com