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Lenovo Completes Acquisition of IBM's Personal Computing Division

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- New global PC leader emerges
- New Lenovo board members named
- Transaction completed successfully, ahead of schedule
- New innovative products to be shipped within weeks

Beijing, China and Armonk, NY – May 1, 2005 – Lenovo Group Limited (HKSE: 992; ADR: LNVGY) and IBM (NYSE: IBM) today announced the closing of the acquisition of IBM's Personal Computing Division by Lenovo, creating a new international IT competitor and the third-largest personal computing company in the world. "The closing of this transaction is an historic event for Lenovo and marks a new era for the global PC industry," said Yuanqing Yang, chairman of Lenovo. "The new Lenovo's strategy is based on what our customers want: high-quality products and world-class service. We are committed to delivering the highest quality, most innovative PC products and services to our customers, to providing the best working environment for our employees, and to creating value for our shareholders."

"Lenovo is well-positioned, with competitive strengths in branding, world-class scale and industry-leading efficiency," said Stephen M. Ward, Jr., chief executive officer of Lenovo. "Lenovo's leading R&D and product differentiation capabilities, experienced management team and global distribution network – through our unique alliance with IBM – give us a powerful competitive position in global markets. Within weeks, we will be introducing new products as the new Lenovo."

The company's strengths include global brand recognition, through the combination of the highly regarded "Think" brand notebook franchise and Lenovo's leading brand recognition in China, enhance service and support for consumers and enterprise clients, and consumer strength and market leaders in China, the world's fastest growing IT market. Lenovo has one-third of the emerging China PC market and leading shares in enterprise PC markets around the world.

Summary of the Transaction Under the terms of the transaction, Lenovo has paid IBM US\$1.25 billion, comprised of approximately US\$650 million in cash and US\$600 million in Lenovo Group shares, based on the closing price on the last day of trading prior to the December 2004 announcement. IBM's

ownership in Lenovo upon closing is 18.9 percent. Additionally, Lenovo will assume approximately US\$500 million of net balance sheet liabilities from IBM.

IBM will record a pre-tax gain on the sale of approximately US\$1 billion. The gain will be reported when IBM releases its second-quarter 2005 financial results.

The definitive agreement for the acquisition was announced December 8, 2004. Lenovo's shareholders approved the transaction January 27, 2005. The closing of the transaction represents the completion of all the key terms of the definitive agreement.

In a transaction announced on March 31, 2005, Lenovo has agreed to the terms for a strategic investment of US\$350 million from leading private equity investment firms Texas Pacific Group, General Atlantic Group and Newbridge Capital Group. Per the agreement, Lenovo will issue US\$350 million worth of convertible preferred shares and unlisted warrants that can be converted into common shares of Lenovo. A meeting of Lenovo shareholders in relation to this strategic investment is scheduled on May 13, 2005.

Subject to approvals by the Hong Kong Stock Exchange, regulatory authorities and a Lenovo shareholder vote, IBM's ultimate consideration for the transaction is expected to be approximately US\$800 million in cash and US\$450 million in Lenovo Group stock, which, as currently proposed, would be accomplished by a repurchase of shares of Lenovo from IBM.

Lenovo Management and Board of Directors The new Lenovo management team will draw on the strengths of both companies. With the completion of the transaction, Mr. Yang has been named chairman of Lenovo, effective immediately, succeeding Liu Chuanzhi, Lenovo's founder, who has been named a non-executive director of the board. Mr. Ward, previously IBM senior vice president and general manager of IBM's Personal Systems Group, has been named chief executive officer of Lenovo and also appointed to its board of directors, effective immediately.

IBM has nominated Robert W. Moffat, Jr. and Henry Chow to sit on the Lenovo board as non-voting observers.

After the private equity transaction closes, three additional, new board members from the strategic investor group will join the board.

Lenovo also announced that Linan Zhu has been appointed as a non-executive director, replacing Maochao Zeng who has resigned from the board.

Synergies and Cost Savings Lenovo said the closing occurred ahead of schedule, noting that its pre-closing transition and integration activities have gone smoothly. Lenovo expects that its customer service and product availability will continue as usual without interruption.

Lenovo will have combined annual PC revenue of approximately US\$13 billion and volume of approximately 14 million units. "We expect to capture synergies starting today through leveraging the

complementary nature of Lenovo and PCD's customer bases, product offerings and geographic coverage while utilizing Lenovo's highly sophisticated operating platforms," said Mr. Ward.

Lenovo expects to generate synergies in procurement and marketing expenses, as well as significant medium-term synergies resulting from new market expansion and product launches, manufacturing optimization and supply-chain integration.

IBM and Lenovo will work together in a unique marketing and services alliance, through which Lenovo's PCs are marketed through IBM's powerful worldwide distribution and sales network. The new Lenovo will be the preferred supplier of PCs to IBM, which will continue to offer a full range of end-to-end integrated IT solutions to its enterprise and small- and medium-sized business clients. IBM will be the new Lenovo's preferred supplier of services and financing.

Global Operations Lenovo's executive headquarters are in Purchase, New York, with principal operations in Beijing, China and Raleigh, North Carolina, and sales representation worldwide through its own locations, Lenovo Business Partners, and the alliance with IBM. The company employs more than 19,000 people worldwide. Research and development centers are in Beijing, Shenzhen, Xiamen, Chengdu, and Shanghai, China; Tokyo, Japan; and Raleigh, North Carolina.

Lenovo's primary PC manufacturing and assembly facilities are located in Shenzhen, Huiyang, Beijing, and Shanghai, China. Lenovo's mobile handset assembly facilities are in Xiamen, China. Additional manufacturing and distribution facilities are located in the United States, Mexico, Brazil, Scotland, Hungary, India, Malaysia, Japan, and Australia. Lenovo's extensive PC distribution network includes approximately 4,400 retail outlets in China for the consumer business.

About Lenovo Lenovo Group Limited (HKSE: 992; ADR: LNVGY) is an innovative, international technology company formed by Lenovo Group's acquisition of IBM's Personal Computing Division. Lenovo develops, manufactures, and markets the most reliable, secure, and easy-to-use technology products.

Globally, the company offers customers the award-winning ThinkPad notebooks and ThinkCentre desktops, featuring the ThinkVantage Technologies software tools as well as ThinkVision monitors and a full line of PC accessories and options.

In China, Lenovo commands about one-third of the PC market covering all segments. Its leading-edge PCs are highly acclaimed for ease-of-use, tailor-made designs and customized solutions for various customer needs. Lenovo has been the number-one PC vendor in China for eight consecutive years and the best-selling PC vendor in Asia-Pacific (excluding Japan). Lenovo also has a broad and expanding product line encompassing mobile handsets, servers, peripherals and digital entertainment products ... the China market.

Lenovo was listed on The Stock Exchange of Hong Kong in 1994 and is currently a constituent stock of the Hang Seng Index and the MSCI China Free Index. Its American Depositary Receipts are traded over-

the-counter in the United States. In March 2004, Lenovo joined The Olympic Partner Program of the International Olympic Committee as the first Chinese company to become the computer technology equipment partner of the IOC for the period from 2005 to 2008.

For more information, please visit <http://www.lenovo.com>.

Forward-Looking and Cautionary Statements Except for the historical information and discussions contained herein, statements contained in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, as discussed in the company's filings with the U.S. Securities and Exchange Commission (SEC).

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