

SMART Modular Technologies, Inc. to Acquire Compaq's Embedded Computer Product Line

- * SMART and Compaq to partner on OEM product development, marketing
- * High-performance Alpha and Intel architecture based products to enhance offerings

Fremont, CA, August 18, 1999 – SMART Modular Technologies, Inc. (NASDAQ:SMOD) today announced that it has reached an agreement with Compaq Computer Corporation (NYSE:CPQ) to acquire Compaq's Embedded and Real-time product line and business. The business includes hardware and software products and technologies as well as a worldwide team of over 100 hardware, software, and applications developers and engineers, as well as marketing, sales, and management professionals. The transaction is expected to close shortly subject to the satisfaction of customary closing conditions.

"This addition will launch SMART into a leadership position within the fast growing market for embedded computing solutions," commented Ajay Shah, SMART's CEO. "We will offer a broader range of computing platforms than any of our competitors. This acquisition will add systems design capability to SMART's product offerings, allowing us to deliver complete solutions to our customers, from board level subsystems to full system level integration. Most importantly, we will be adding significantly to our engineering capabilities. This will allow us to pursue a broader range of opportunities as well as enabling us to enhance our ability to design products that help our customers gain competitive advantages and time to market benefits through outsourcing of their embedded computing platform."

Compaq and SMART also plan to cooperate in future product development, marketing, sales, and customer support to deliver new products and technologies faster and to offer a more integrated capability to OEM customers.

"Compaq is very pleased to join forces with SMART to serve our OEM customers with embedded products," said Mahendra Patel, Compaq's Vice President. "We have helped our OEM customers deliver the best computing technology for decades. This partnership will strengthen our ability to deliver the whole spectrum of solutions from board level products to fully integrated, complex systems."

The Embedded and Real-time product line was a component of Compaq's OEM Business Segment acquired as part of Compaq's acquisition of Digital Equipment Corporation in 1998. Digital's foundation was in the OEM market, and over a period of 40 years earned the respect of the entire marketplace for engineering excellence. The product line includes boards and systems for VME, PCI/ISA passive backplane, and CompactPCI platforms, utilizing Alpha and Intel microprocessor architectures. Also included are software products and technologies including Real-time operating systems, distributed real-time environments, distributed network management tools and text to speech synthesis.

The acquisition builds upon a strong existing partnership between the two companies. In 1998 Compaq awarded SMART with the "Strategic Commodity Excellence Award," recognizing SMART's quality products, technology leadership and advanced manufacturing capabilities. SMART is an ISO 9001 certified manufacturer and brings worldwide state of the art design and manufacturing

capabilities to the Compaq OEM customer base as well as a dedicated focus on the OEM market.

One of the fastest growing vendors of embedded computing solutions, SMART currently provides leading edge technology to the top tier of telecommunications and computer manufacturers in the world. "In a market previously dominated by small niche vendors, SMART has demonstrated its ability to provide complete solutions at our customers' desired level of integration," stated Keith McDonald, SMART's President. "This transaction with Compaq is the next step in our strategic direction to provide broader choices and higher levels of integration to our customers and to build lasting customer relationships."

"The addition of products based on the powerful Alpha architecture complements our already broad base of Intel architecture, MIPS, PowerPC and StrongARM based embedded computers, allowing us to offer the perfect fit for any application," explained Eric Taborek, SMART's Vice President of Sales.

SMART's Embedded Systems Division will be a worldwide organization with primary locations including Fremont, California; Boston, Massachusetts; Dallas, Texas; Ayr and East Kilbride, Scotland; Munich, Germany and Tokyo, Japan.

SMART Modular Technologies, Inc. (NASDAQ:SMOD) is a leading independent manufacturer of specialty and standard memory modules, Flash memory cards, high-performance embedded computer boards, as well as I/O product solutions. SMART offers more than 500 products to leading OEMs in the computer, networking and telecommunications industries. SMART has manufacturing facilities in California, Puerto Rico, Scotland and Malaysia, design centers in California and India, and sales organizations worldwide. More information on SMART can be obtained on the Internet at <http://www.smartmodulartech.com>.

The first, second, third, fourth, eighth and ninth paragraphs of this press release contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those projected in the forward-looking statements.