

GSB Investor

Version 1.0

- IBM and the Marketplace
- EPS Roadmap
- IBM Growth Strategy

- IBM and the Marketplace
 - Impact on IBM and the marketplace
 - STG 2010

Impact on IBM and the Marketplace

Services

- Improving margins
- Creating assets
- Services quality



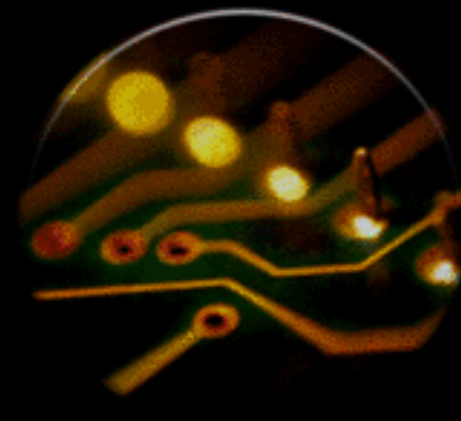
Software

- Key middleware features/functions
- Technical roadmaps for acquisitions
- System S



Systems

- Extending Z&P Leadership
- Virtualization
- Low-power Data Centers
- Petaflop machine



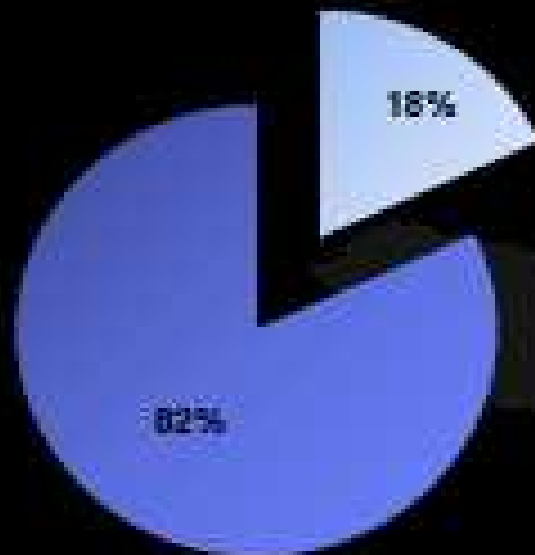
Intellectual Property

- Transfer IP to IBM brands
- Patent leadership
- IP income



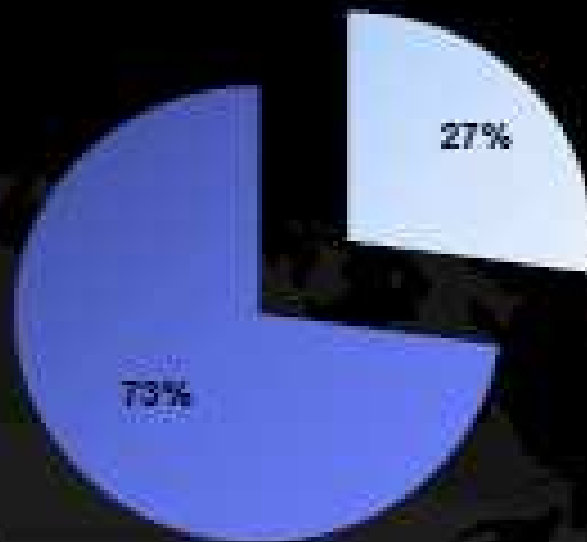
In 2010, STG revenue was...

18% of IBM



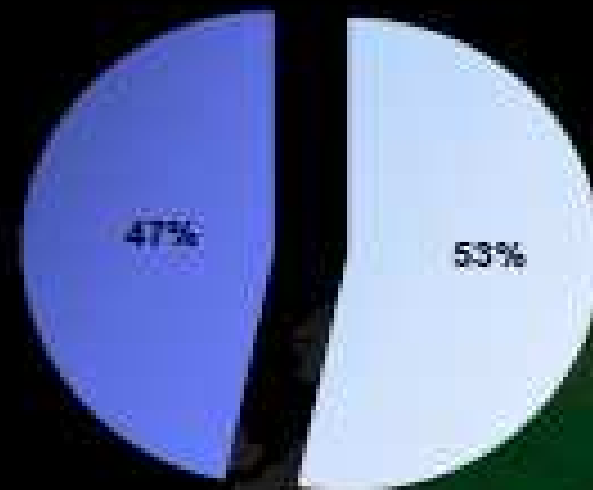
■ STG ■ IBM
2010

27% of Growth Markets



■ STG ■ Growth Markets
2010

53% of China



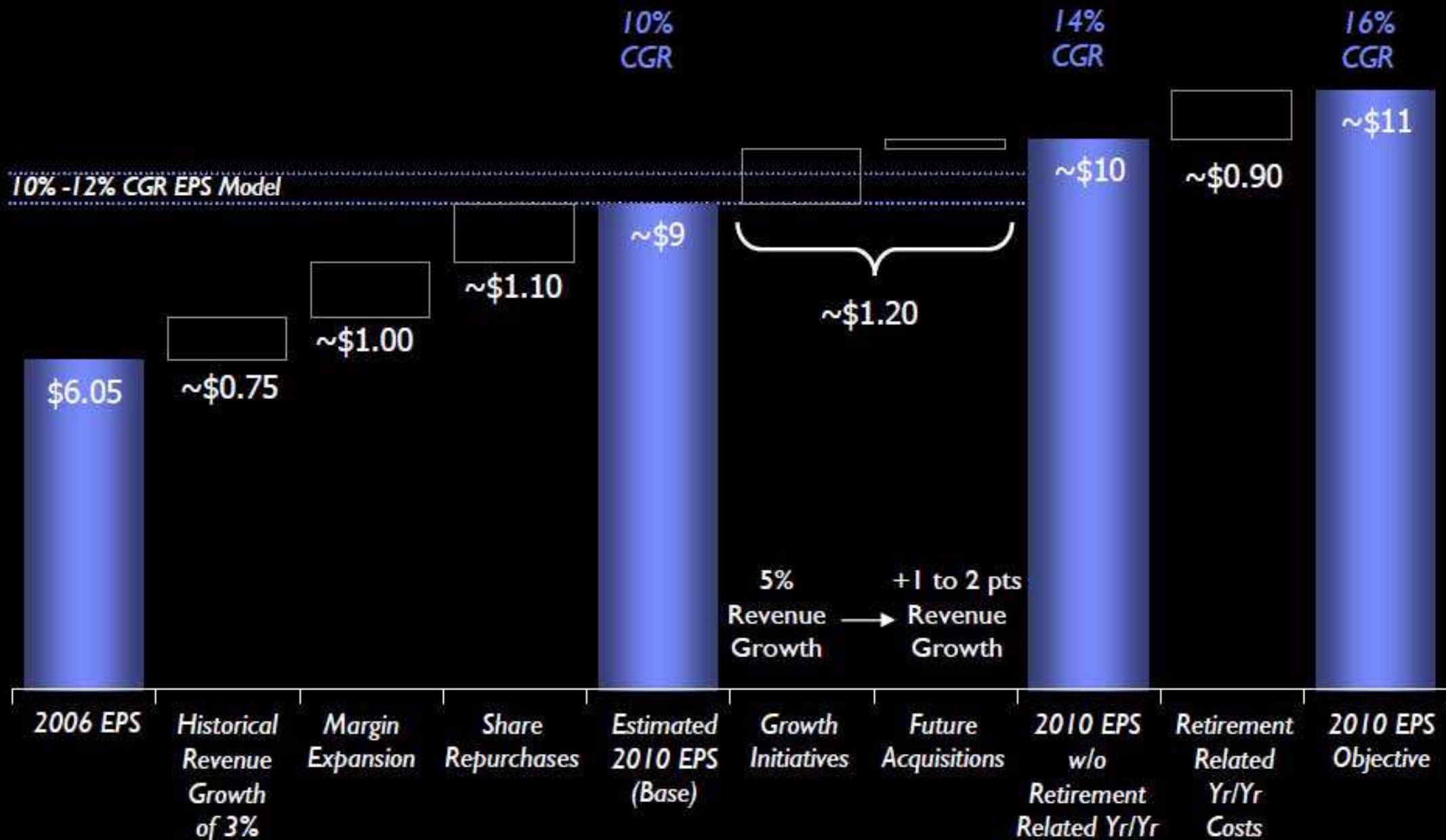
■ STG ■ China
2010

Growth Markets % of IBM Geographic Revenue*



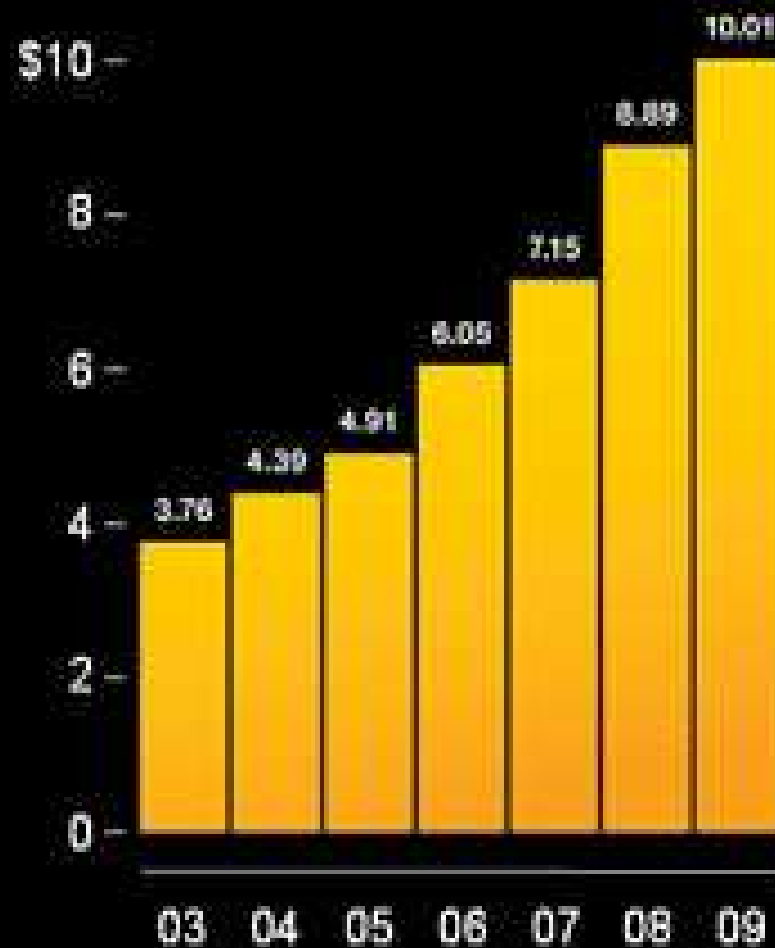
- EPS Roadmap
 - Historical Performance
 - Long Term EPS Roadmap
 - 2015 Roadmap
 - IBM Transformation
 - IBM Transformation continues
 - Operating Margins

IBM Investor Briefing 2010 Long-Term EPS Roadmap (May 2007)

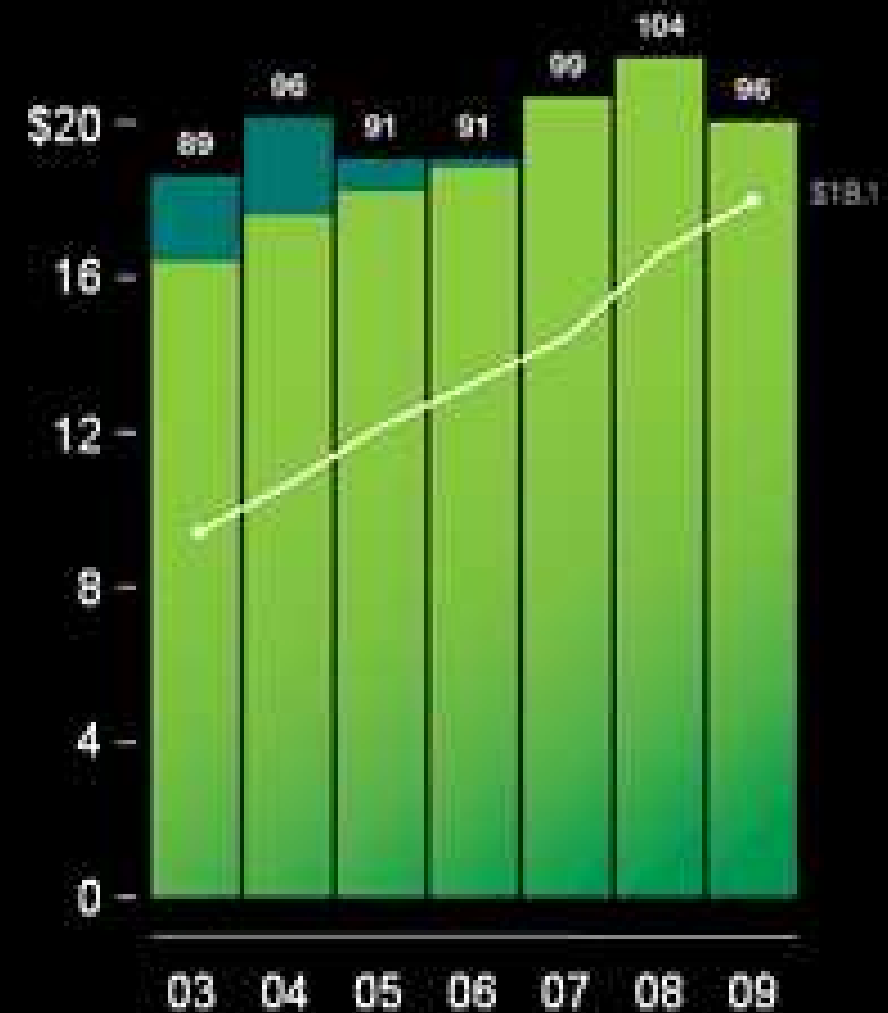


Historical Performance

Earnings Per Share



Revenue and Pre-tax Income

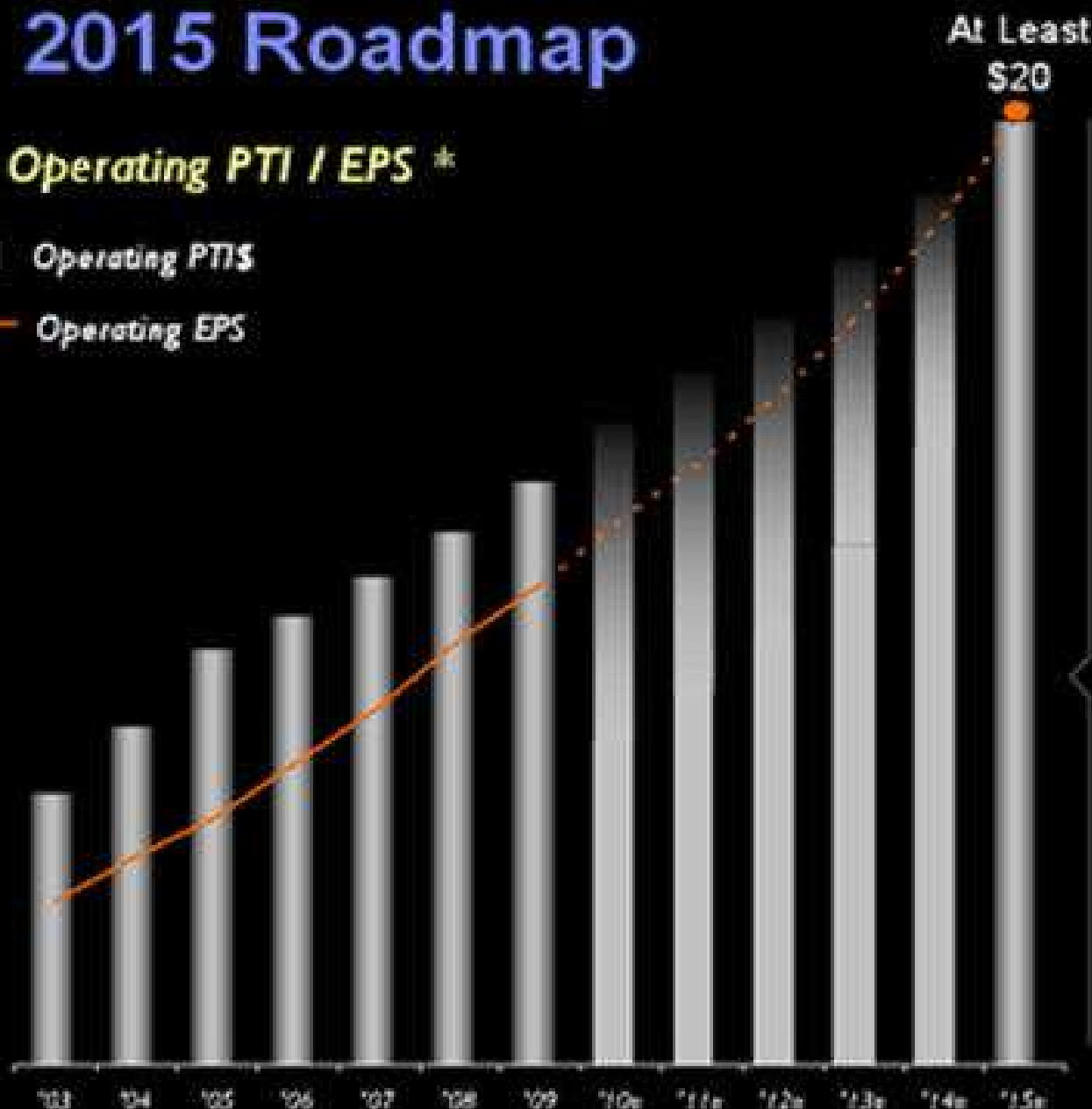


Note: 2005-2009 EPS reflects the adoption of amendments to ASC 260, "Earnings Per Share"

2015 Roadmap

Operating PTI / EPS *

- Operating PTIS
- Operating EPS



Software contributes nearly half of our segment profit

Growth initiatives deliver \$20B in revenue growth

Growth markets revenue reaches 25% of IBM's total

Enterprise productivity delivers another \$8B in gross savings

IBM generates \$100B in free cash flow, returning 70% to shareholders

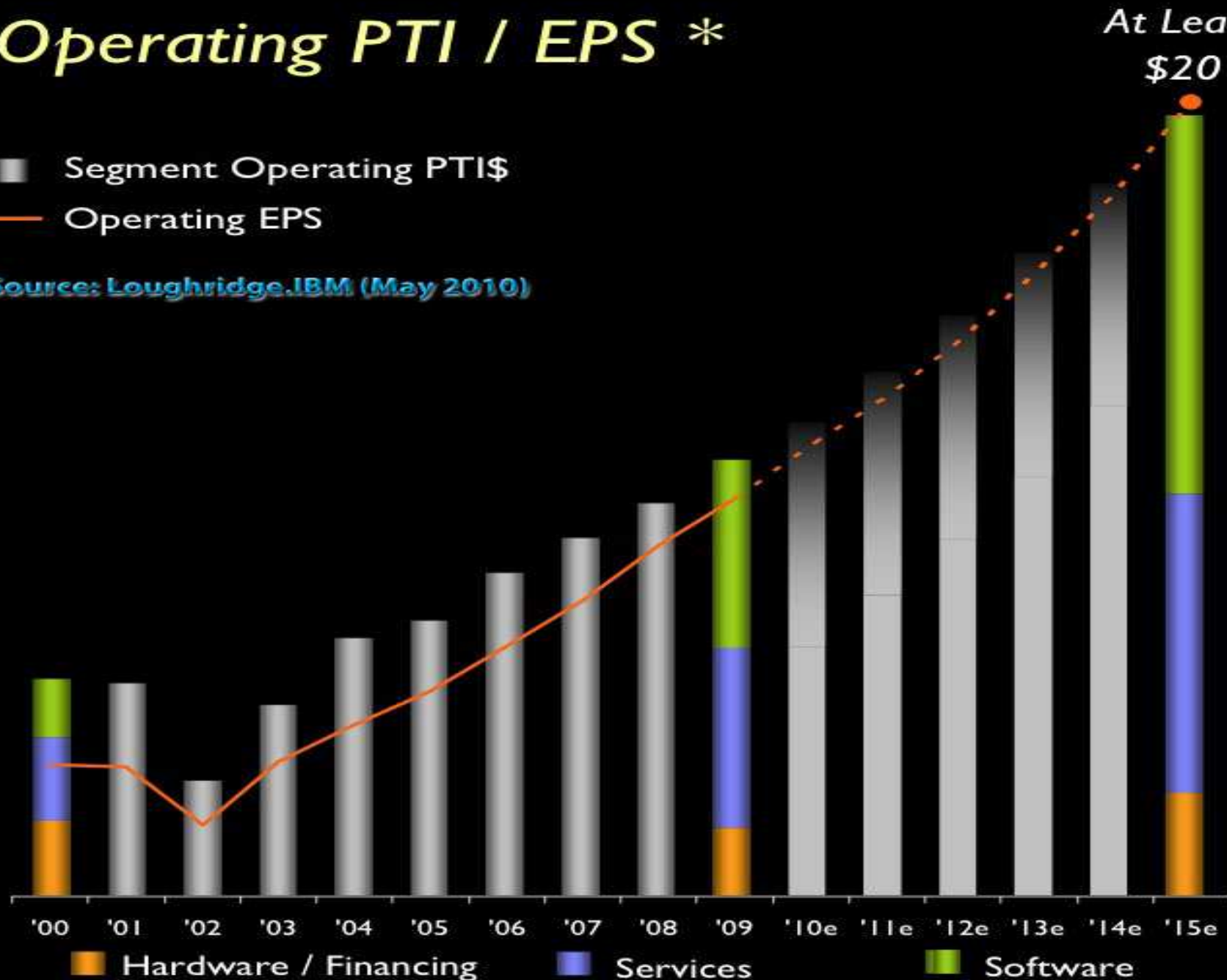
* Non-GAAP. Excludes Acquisition-related charges and non-operating retirement related expense

Operating PTI / EPS *

At Least
\$20

- Segment Operating PTI\$
- Operating EPS

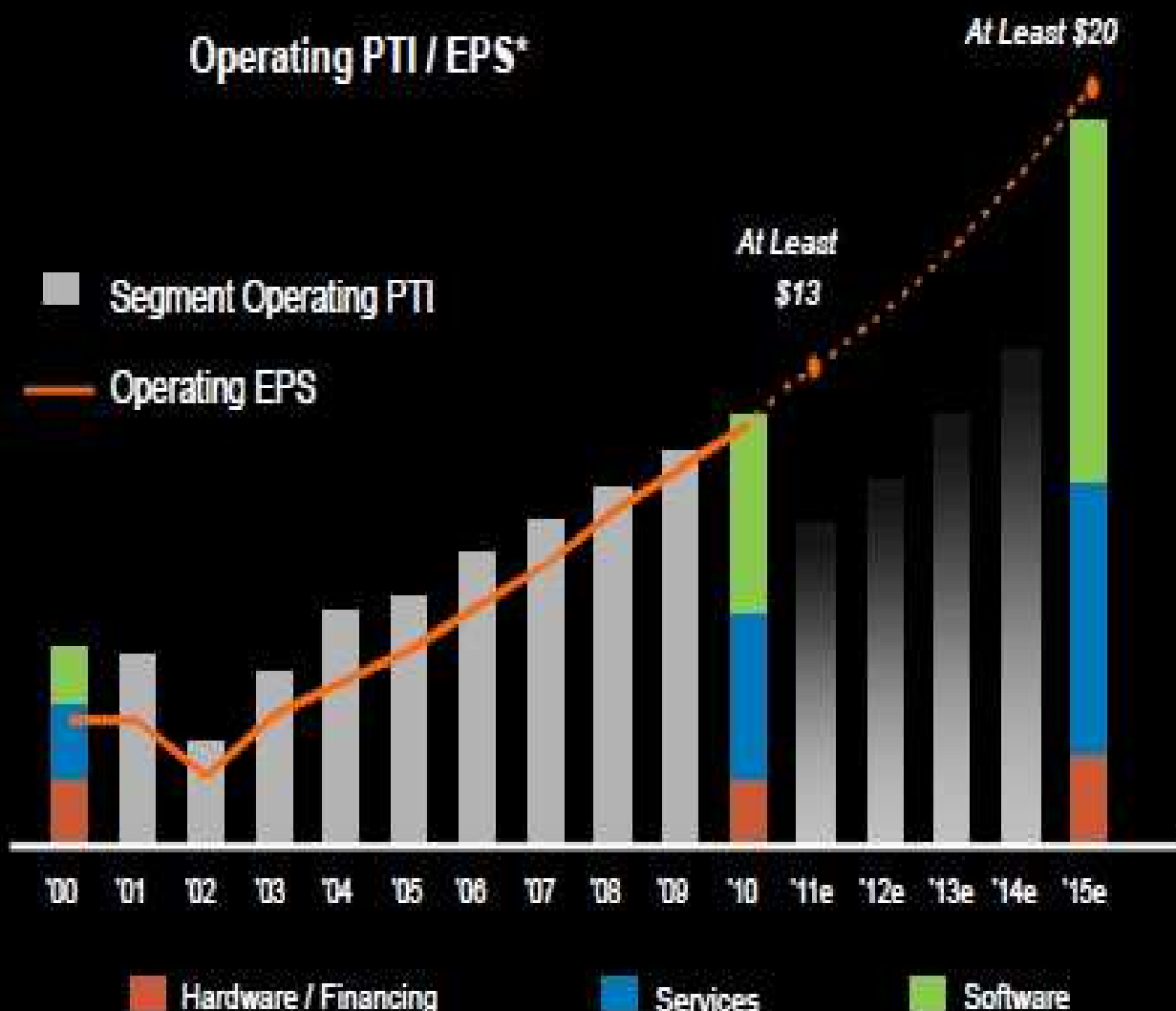
Source: Loughridge.IBM (May 2010)



* Non-GAAP: Excludes Acquisition-related charges and non-operating retirement-related expense

2015 Roadmap: IBM Transformation Continues

Operating PTI / EPS*



Key Drivers:

- Revenue Growth
- Operating Leverage
- Share Repurchase

Key Objectives:

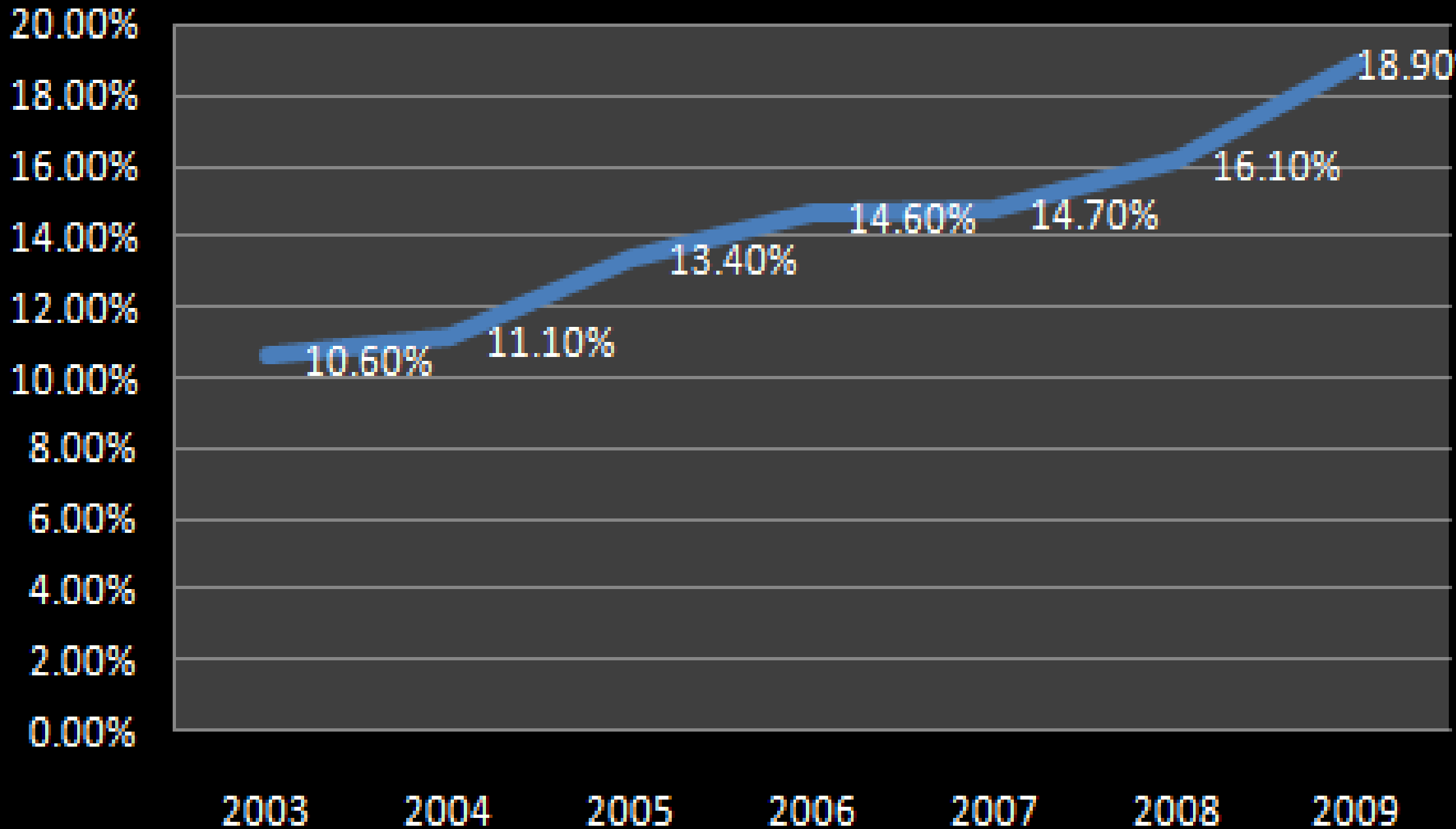
- Add another \$100B in free cash flow
- Return \$70B in capital to shareholders
- Spend \$20B on acquisitions
- Nearly double software profits
- Growth markets' revenue contribution approaching 30% of geographic revenue

*Non-GAAP: Excludes acquisition-related charges and non-operating retirement-related expense

2000 & 2001 Excludes enterprise investments and stock-based compensation

Sum of external segment pre-tax income not equal to IBM pre-tax income

Operating Margins 2003-2009



IBM Growth Strategy

Growth Markets

Analytics

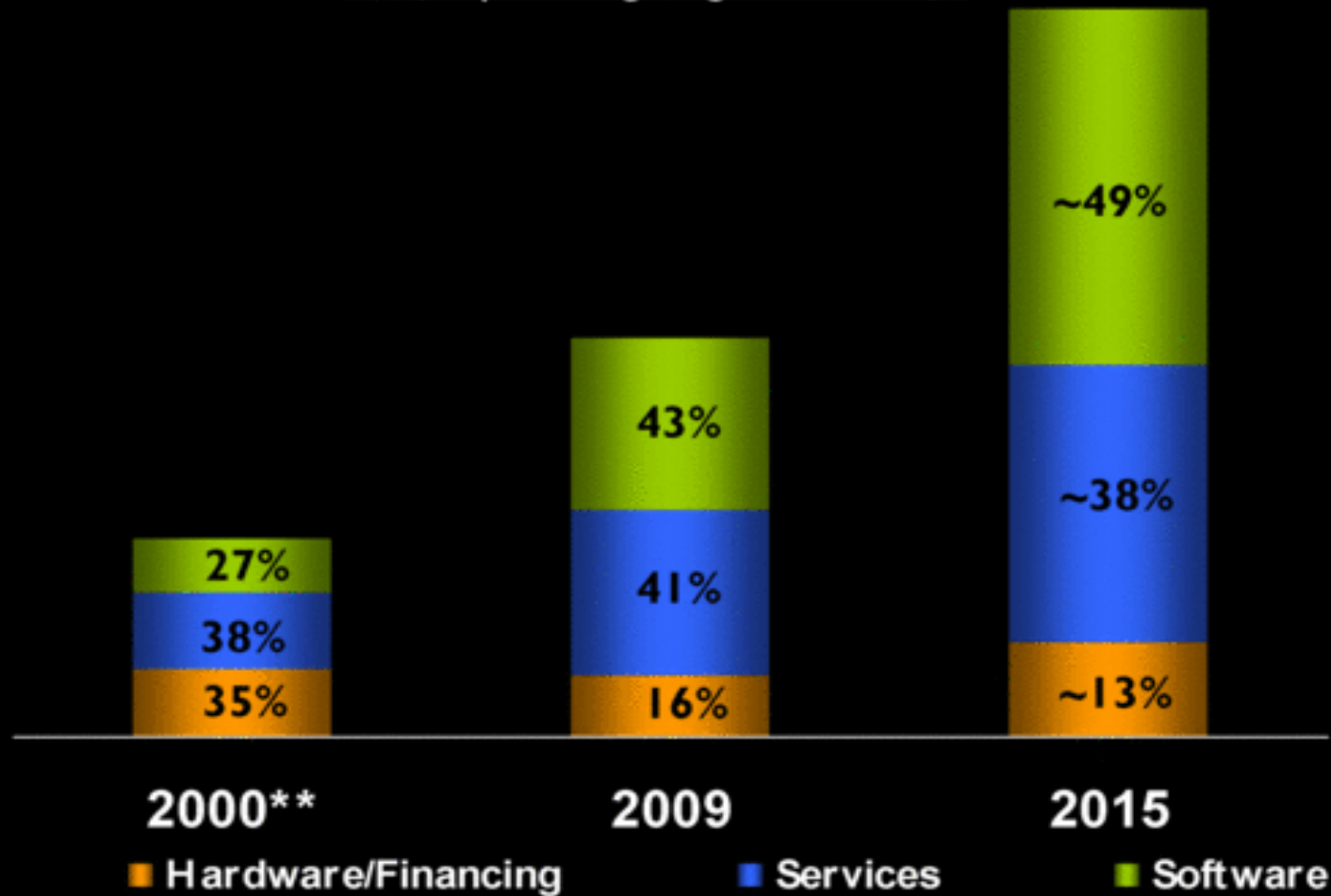
Next-gen Data Center and Cloud

Smarter Planet



IBM expands margins in 2015 Roadmap through a continuation of our shift to higher value

% of Operating Segments Profit*



* Sum of operating segment pre-tax income not equal to IBM operating pre-tax income
 ** Stock-based compensation expense was not recorded at the segment level and excludes Enterprise Investments

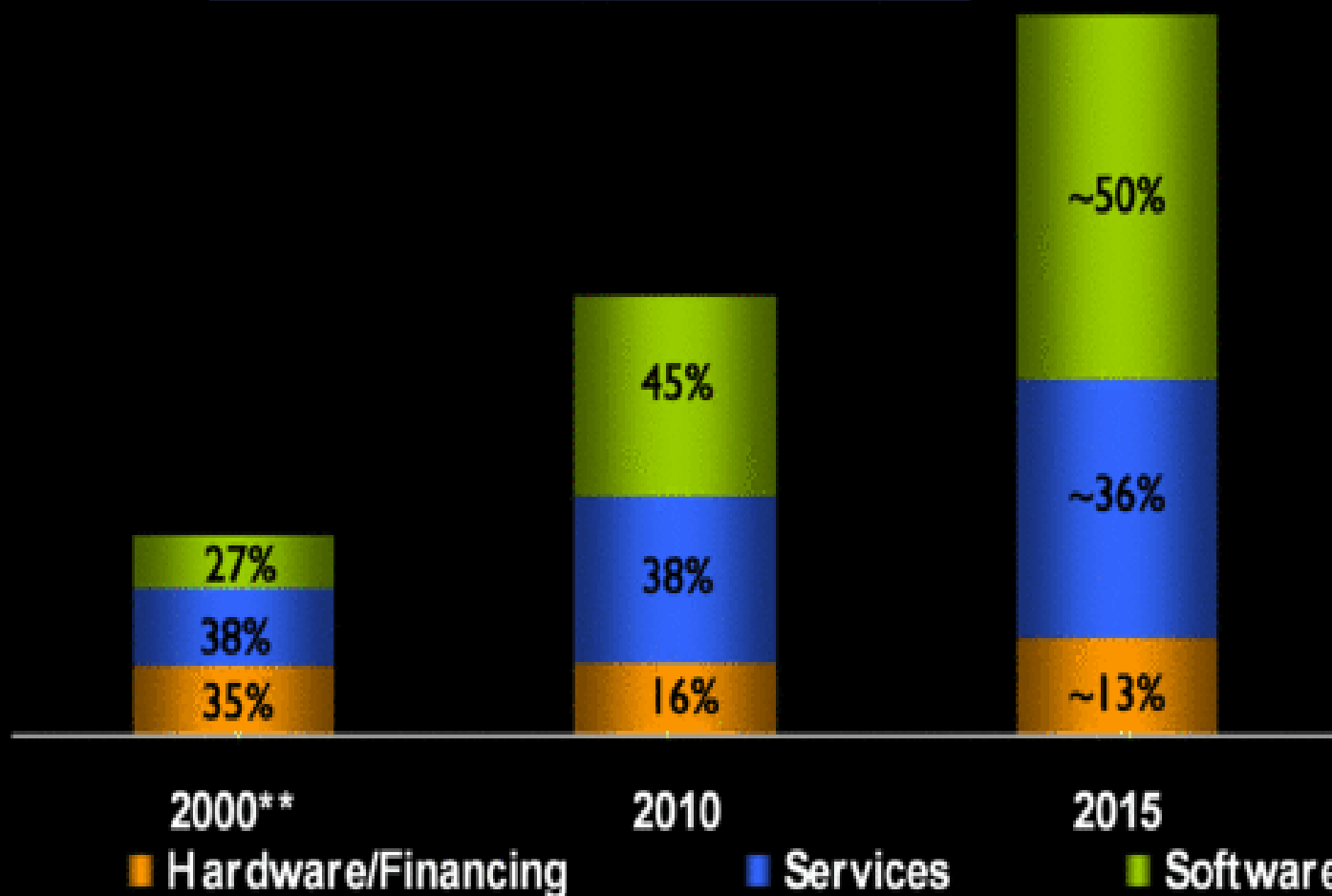
Mixing toward our most profitable segment will drive ~\$0.75 of EPS in 2015

IBM expands margins in 2015 Roadmap through a continuation of our shift to higher value

*% of Operating Segments Profit**



2015
Operating EPS



* Sum of operating segment pre-tax income not equal to IBM operating pre-tax income

** Stock-based compensation expense was not recorded at the segment level and excludes Enterprise Investments



Smarter Planet

Grows to ~\$10B business by 2015

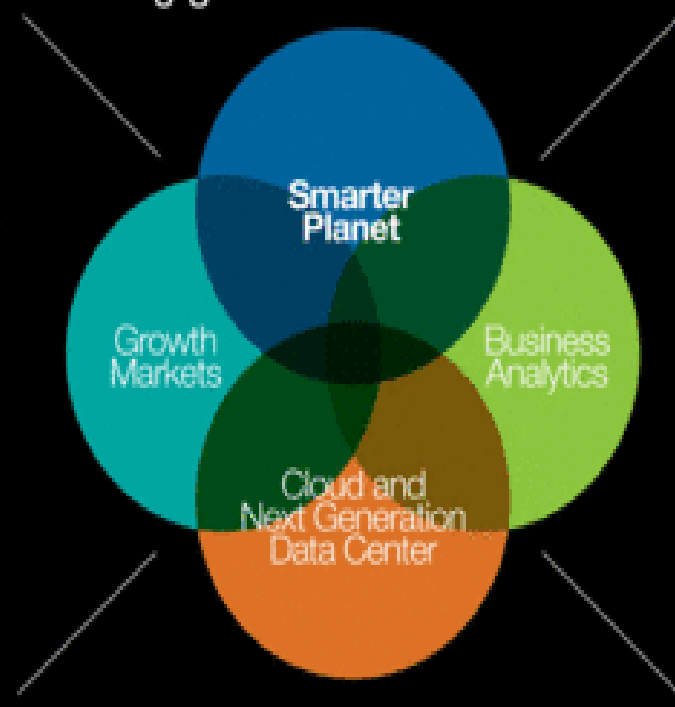
Approximately 400 recent client engagements illustrate reach

Growth Markets

- Approaches 30% of IBM's geographic revenue by 2015
- Contributes ~50% of IBM's growth over the Roadmap

Business Analytics

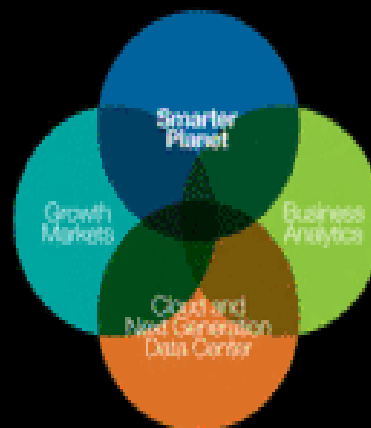
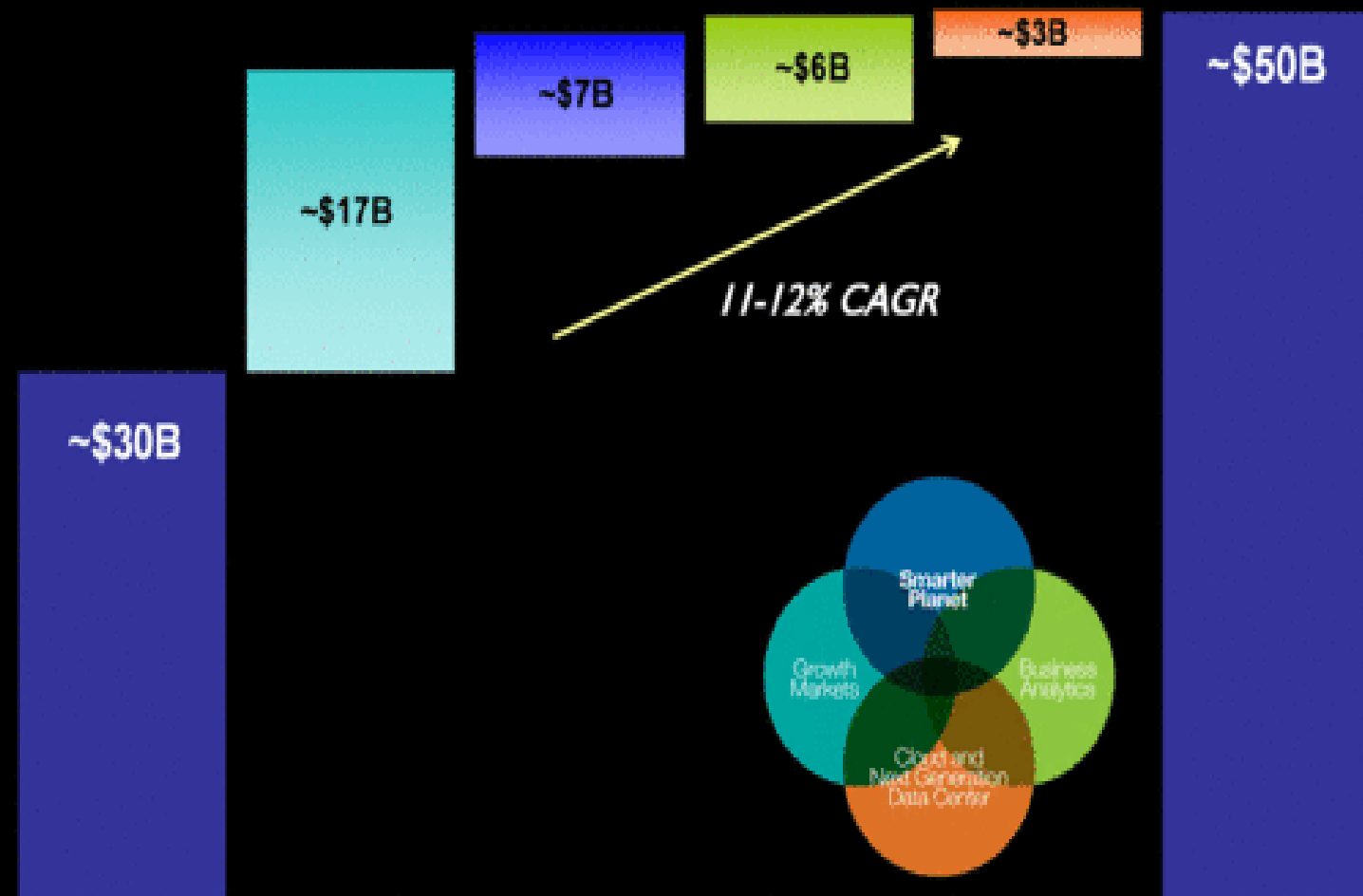
- Grows to ~\$16B business by 2015
- Contributes ~20% of IBM's growth over the Roadmap



Cloud

Grows to ~\$7B business by 2015, of which ~\$3B is incremental

Over the 2015 Roadmap these four initiatives deliver ~\$20B of revenue growth, over two-thirds of IBM's growth



2010 Revenue from Key Initiatives

Growth Markets

Smarter Planet

Business Analytics

Cloud Computing

2015 Revenue from Key Initiatives

2015 Operating EPS

IBM Growth Markets strategies

Country / Market Selection

Market Expansion

IT Infrastructure
Development

Industry
Leadership

2015 Roadmap Objectives

2010 – 2015 ~ \$17B incremental revenue

Grow faster than market

Outpace Major Markets growth > 8 pts

Approach 30% of IBM geographic
revenue

Drive margin expansion

A Planet of Smarter Cities

In 2007, for the first time in history, the majority of the world's population lived in cities – 3.3 billion. By 2050, city dwellers are expected to make up 70 percent of the Earth's total population – 6.4 billion.



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