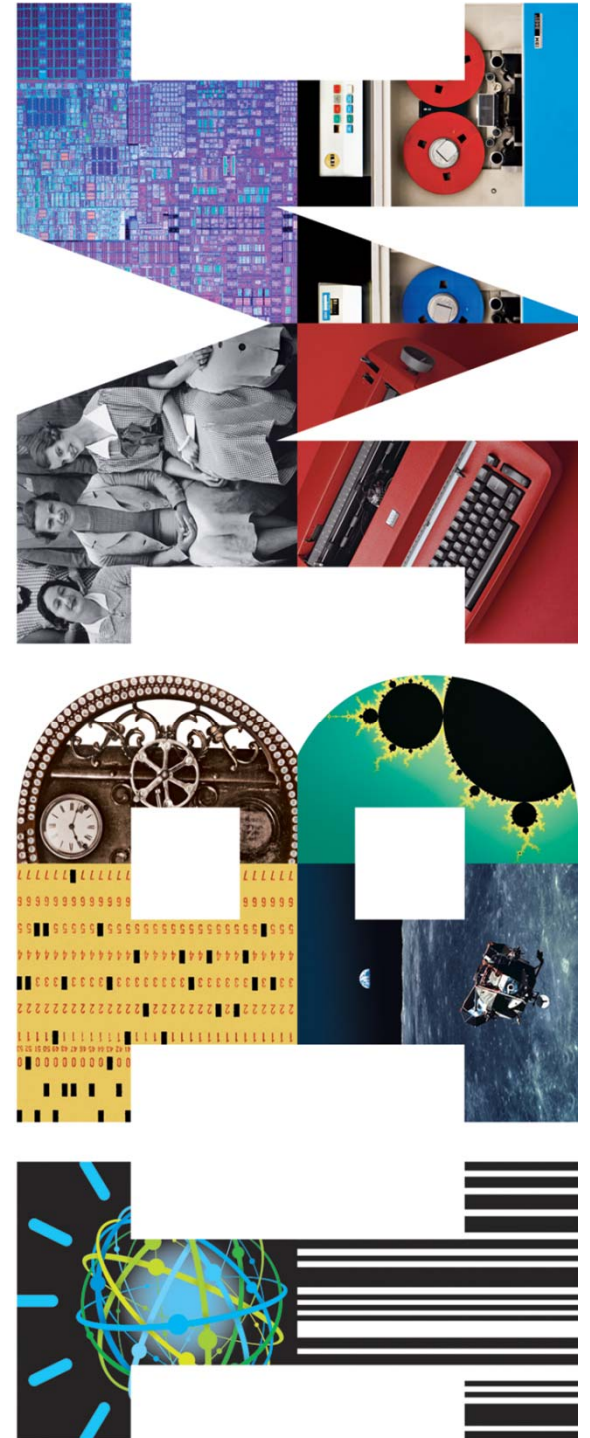




IBM Business Perspective 2011

Patricia Murphy
Vice President, Investor Relations



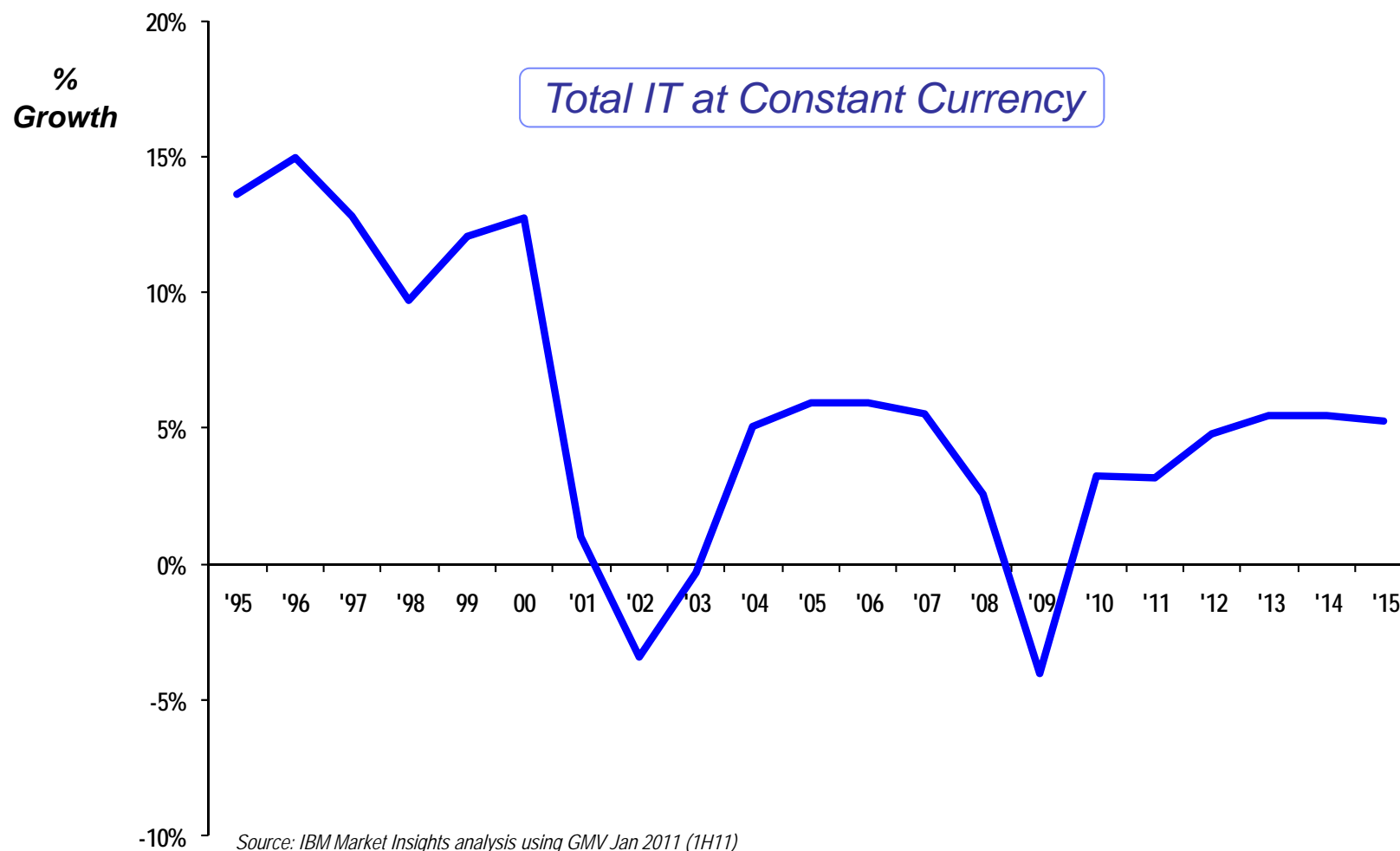
Certain comments made in this presentation may be characterized as forward looking under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the Company's current assumptions regarding future business and financial performance. Those statements by their nature address matters that are uncertain to different degrees. Those statements involve a number of factors that could cause actual results to differ materially. Additional information concerning these factors is contained in the Company's filings with the SEC. Copies are available from the SEC, from the IBM web site, or from IBM Investor Relations. Any forward-looking statement made during this presentation speaks only as of the date on which it is made. The Company assumes no obligation to update or revise any forward-looking statements. These charts and the associated remarks and comments are integrally related, and are intended to be presented and understood together. Information regarding the Company's financial roadmap, which was previously communicated to investors, is being presented for purposes of historical information and is not being updated during this presentation.

In an effort to provide additional and useful information regarding the Company's financial results and other financial information as determined by generally accepted accounting principles (GAAP), these materials contain certain non-GAAP information including "operating earnings" and other "operating" financial measures. The rationale for management's use of this non-GAAP information, the reconciliation of that information to GAAP, and other related information are included as Attachment II ("Non-GAAP Supplementary Materials") to the Company's Form 8-Ks dated March 8, 2011 and April 19, 2011.

Agenda

- Strategy and Historical Performance
- 2015 Roadmap
- Appendix: IBM Growth Initiatives

The industry economics have changed over time



IBM's strategy addresses shifts in the IT industry

Changes in world markets:

We are at the forefront of global integration



Changes in IT:

We are shifting to higher value segments

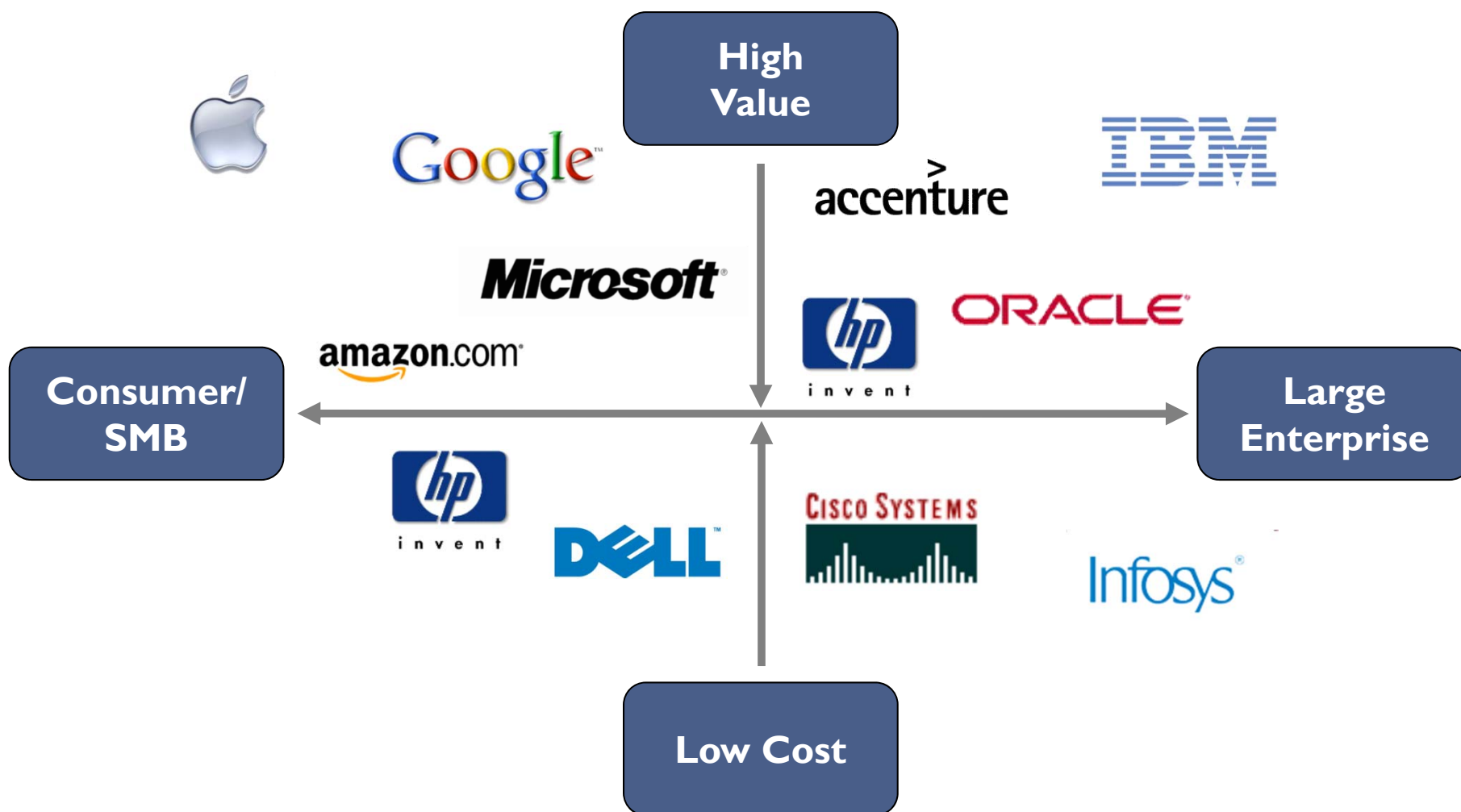


Changes in client needs:

We are focused on integration and innovation



IT industry positioning is changing over time



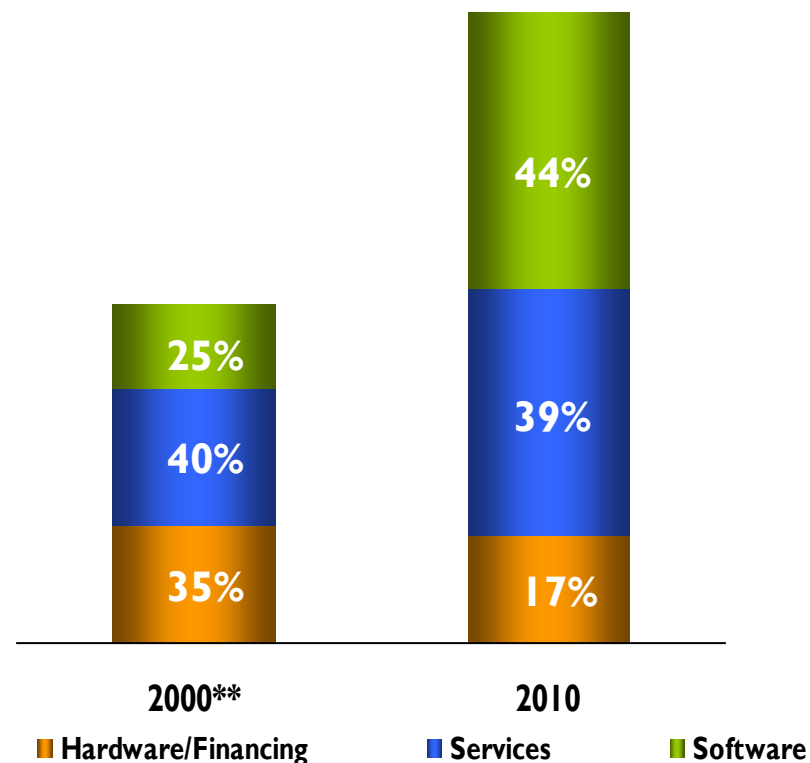
We have been remixing our business to higher value areas

Major Divestitures / Acquisitions

DRAM	1999
Network	1999
Flat Panel Displays	2001
HDD	2002
PCs	2005
Printers	2007

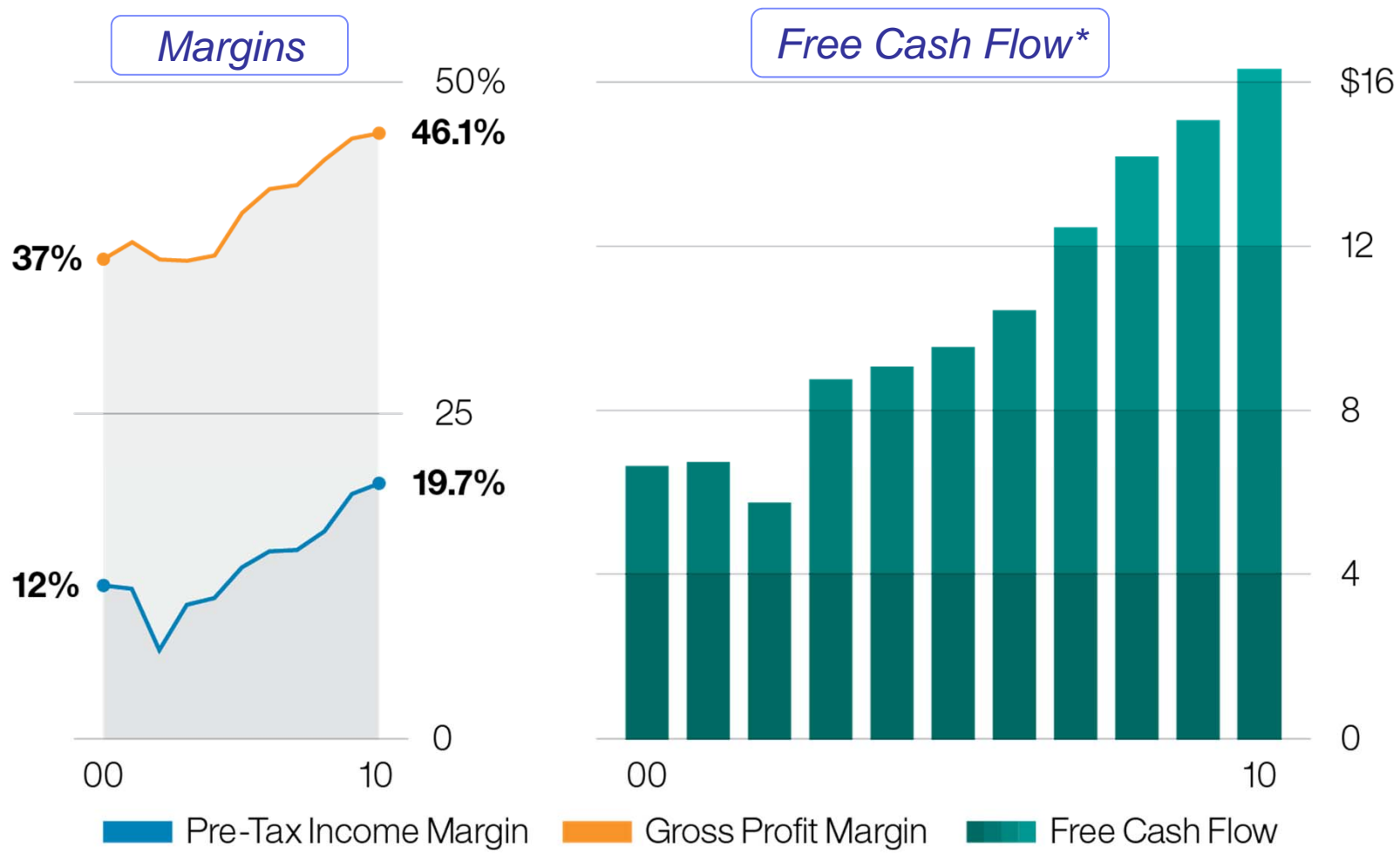


% of Segment Profit*



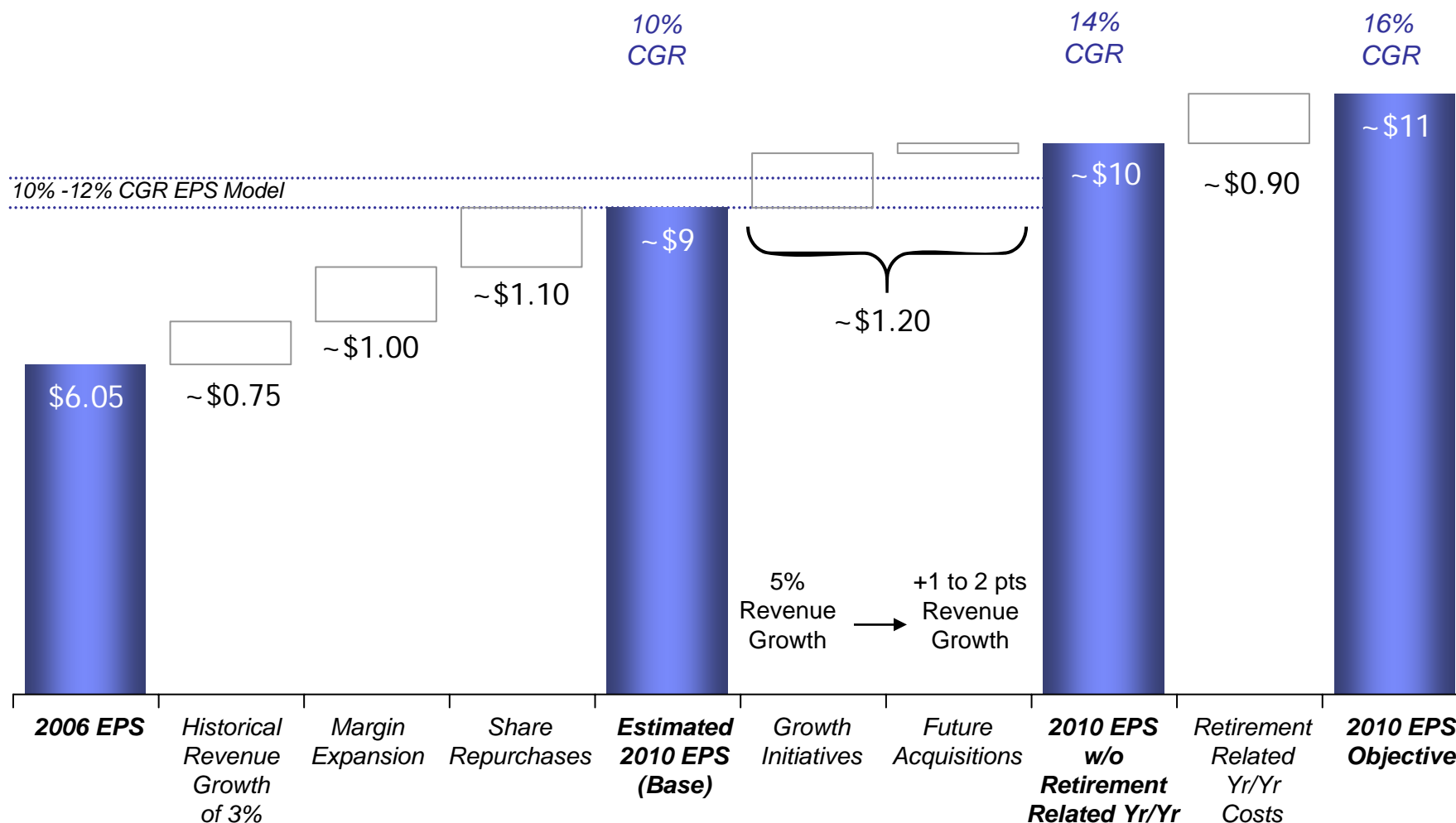
* Sum of external segment pre-tax income not equal to IBM pre-tax income
 ** Stock-based compensation expense was not recorded at the segment level and excludes Enterprise Investments

Our shift to higher value, global integration and productivity have driven superior financial results



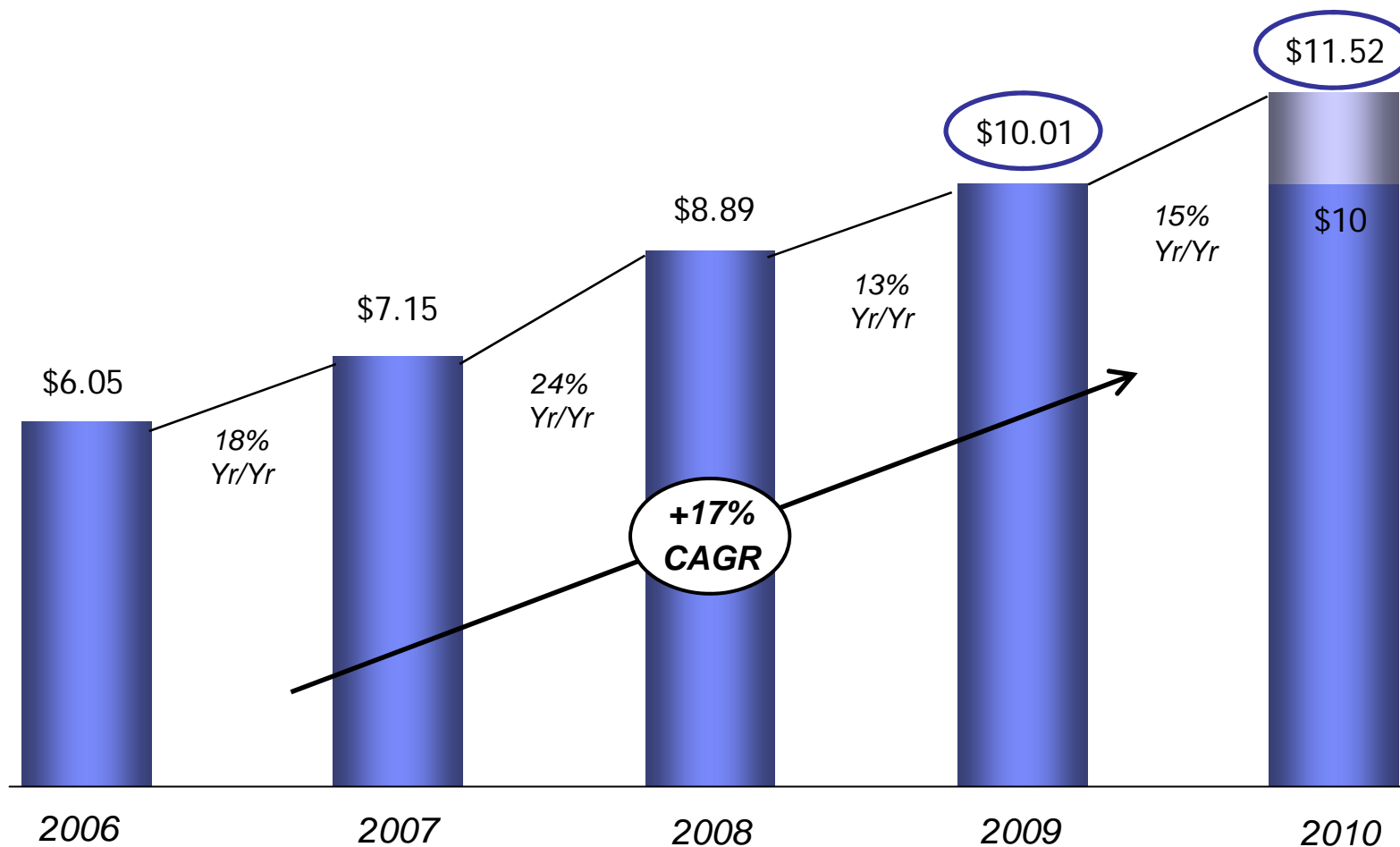
* Excluding GF Receivables

In May 2007, we introduced the 2010 EPS Roadmap to deliver \$10 to \$11 of earnings per share

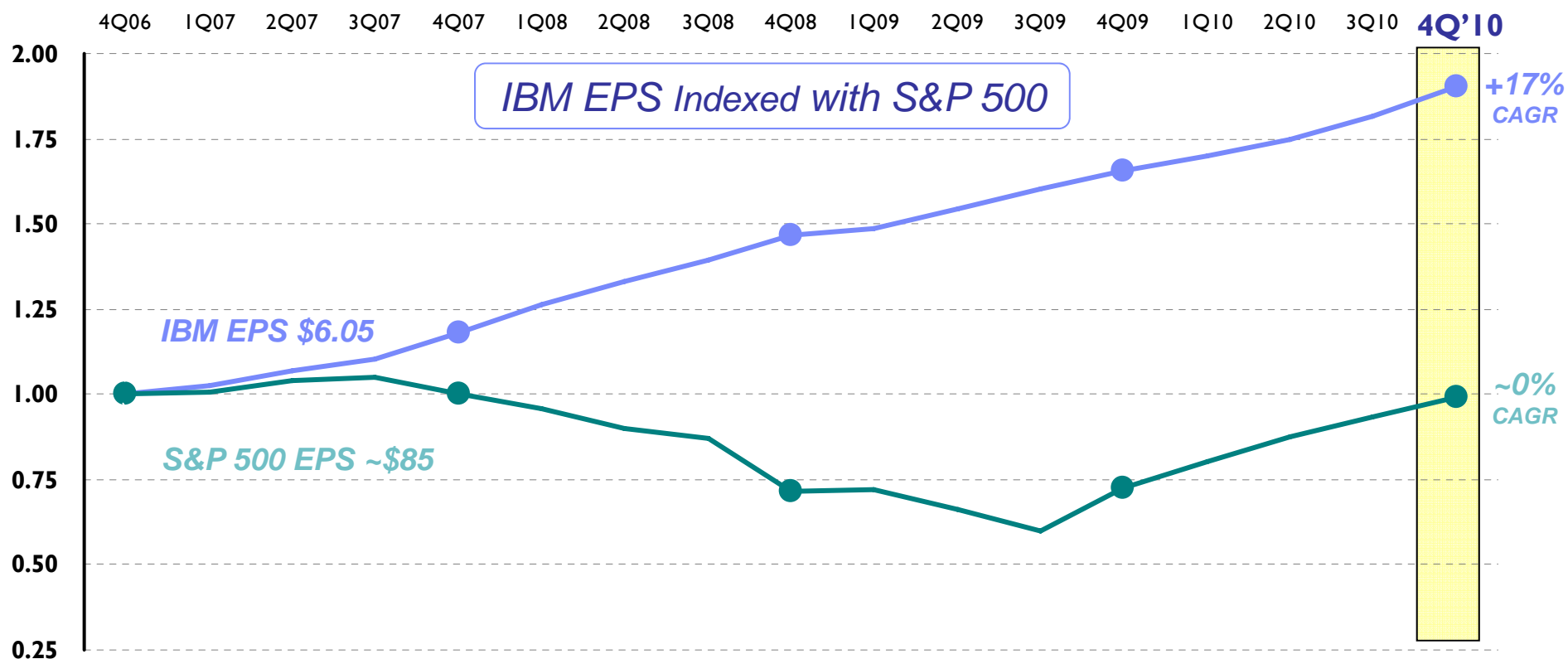


Note: 2006 EPS reflects the adoption of amendments to ASC 260, "Earnings Per Share"

We achieved the low end of the roadmap one year ahead of schedule, and beat the high end by ~ 50 cents

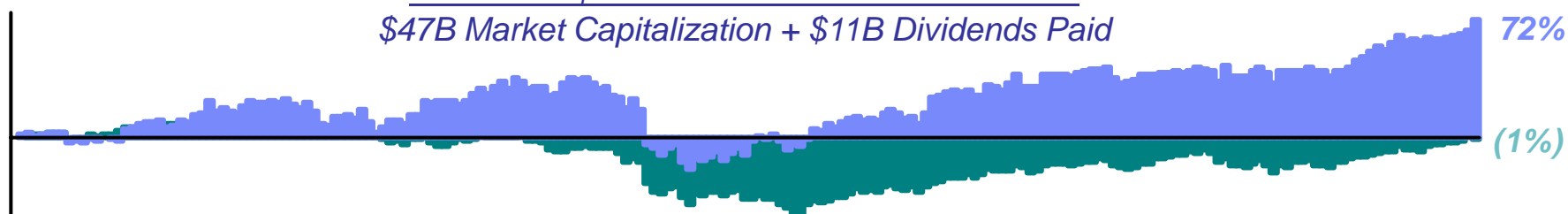


The success of our business model rewarded shareholders



Created \$58B of Shareholder Value
 \$47B Market Capitalization + \$11B Dividends Paid

Cum. Total Return



Source: Bloomberg/Capital IQ

■ IBM

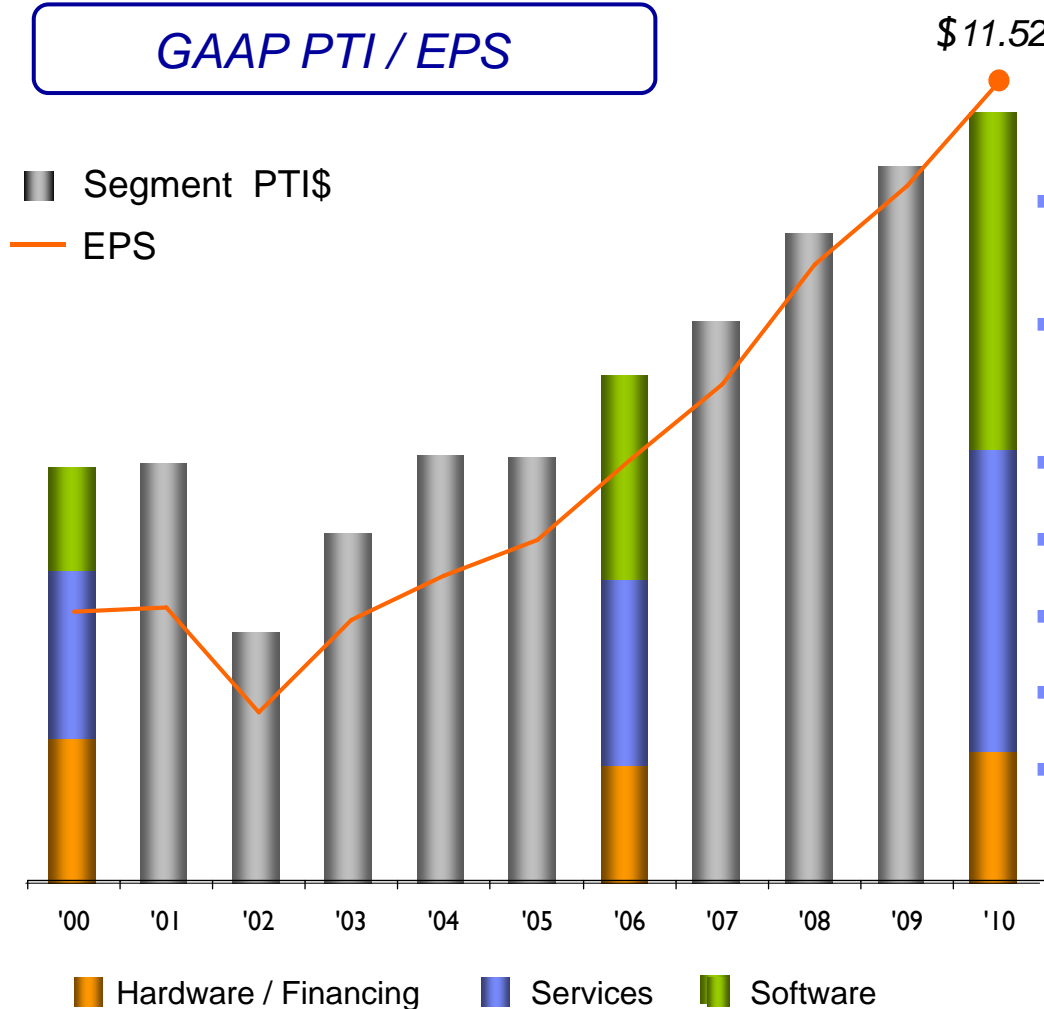
■ S&P 500

Total Return as of 1/19/2011

IBM's transformation drove strong financial performance over a decade

GAAP PTI / EPS

Highlights since 2000



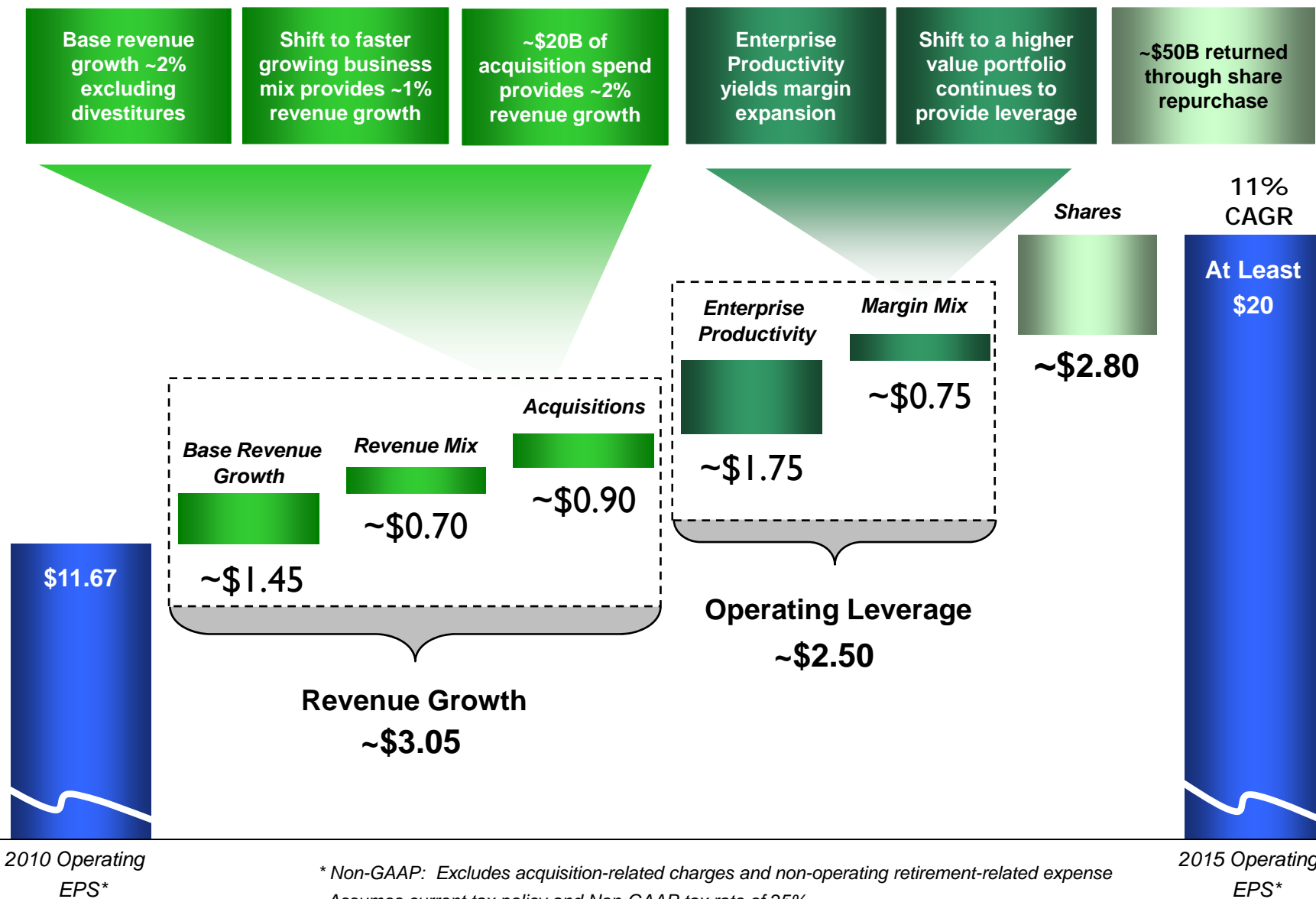
- Added \$10B revenue in growth markets
 - 21% of geo revenue
- Tripled Software profit to \$9.1B
 - 44% of segment profit, up from 25%
- Added \$10B of Pre-Tax Income
- EPS nearly tripled
- Generated \$109B Free Cash Flow
- Returned \$107B to shareholders
- Invested \$32B to acquire 116 companies

*Sum of external segment pre-tax income not equal to IBM pre-tax income
2000 & 2001 segments not restated for stock based compensation*

Agenda

- Strategy and Historical Performance
- 2015 Roadmap
- Appendix: IBM Growth Initiatives

IBM's 2015 Roadmap: at least \$20 of Operating EPS



* Non-GAAP: Excludes acquisition-related charges and non-operating retirement-related expense
Assumes current tax policy and Non-GAAP tax rate of 25%

Key initiatives support the revenue and profit objectives



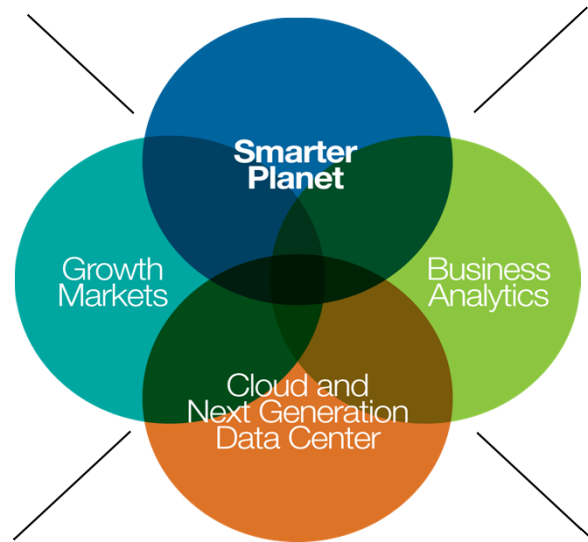
Growth Markets

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

Smarter Planet

Grows to ~\$10B business by 2015

Approximately 400 recent client engagements illustrate reach



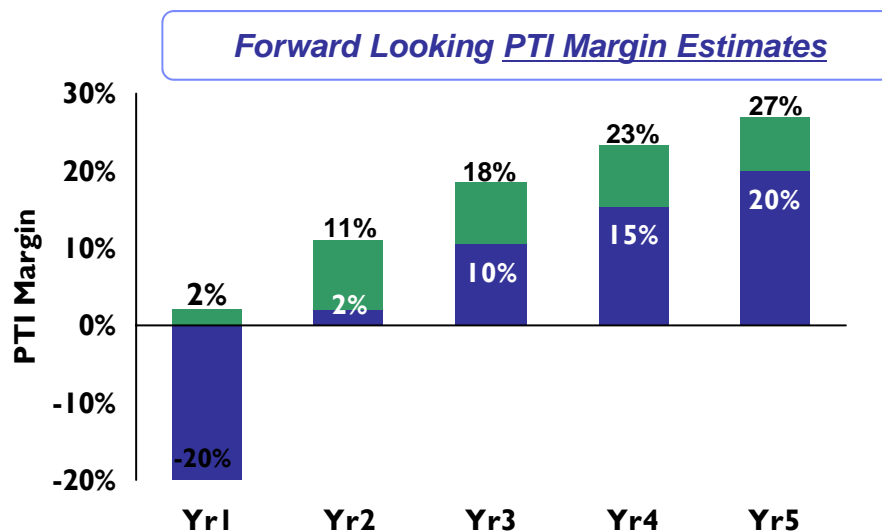
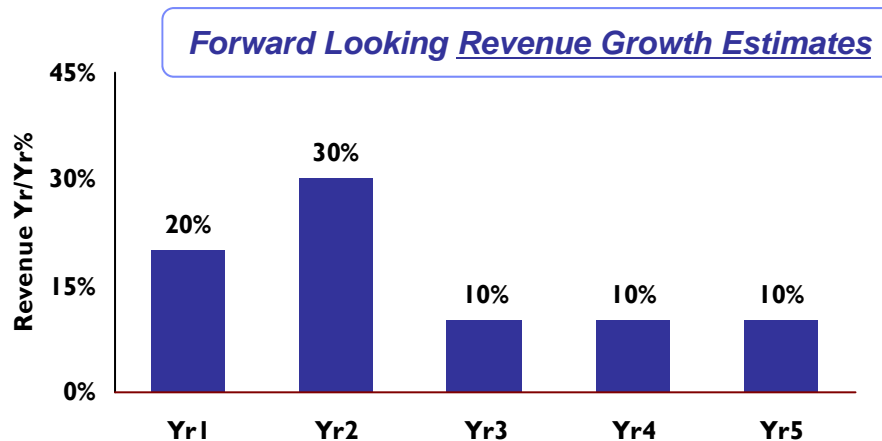
Business Analytics

- 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

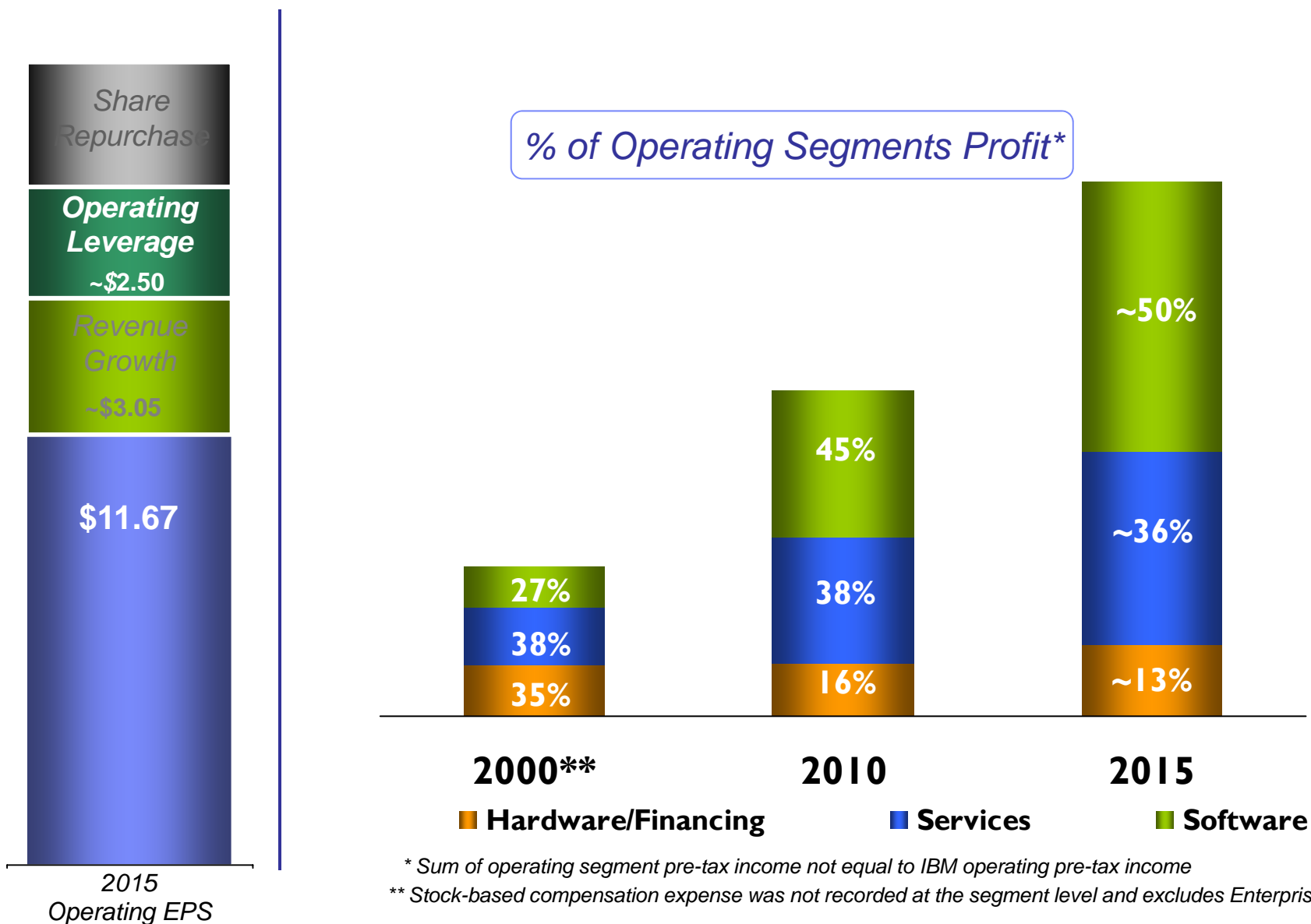
We have allocated \$20B for future acquisitions



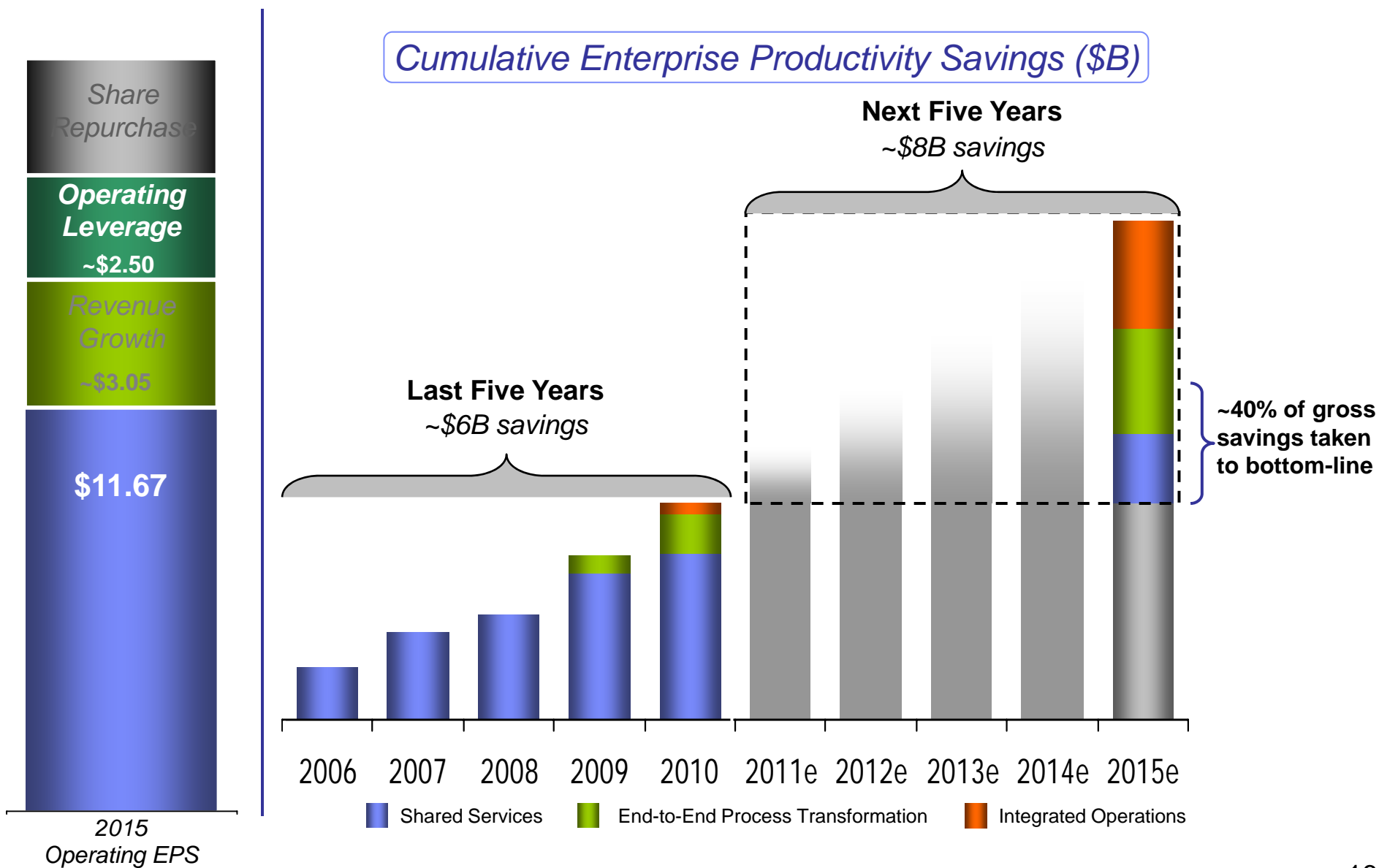
■ PTI Margin ■ Margin excl. amortization of intangibles and acquisition-related charges

- Scalable intellectual property
- Key to solutions offerings
- Drive synergies through global distribution

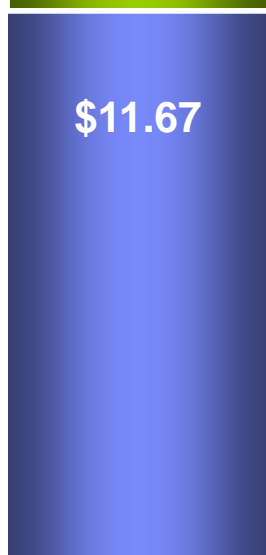
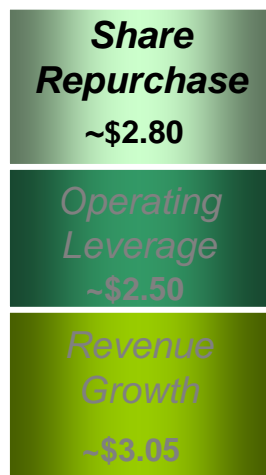
IBM expands margins through a shift to higher value....



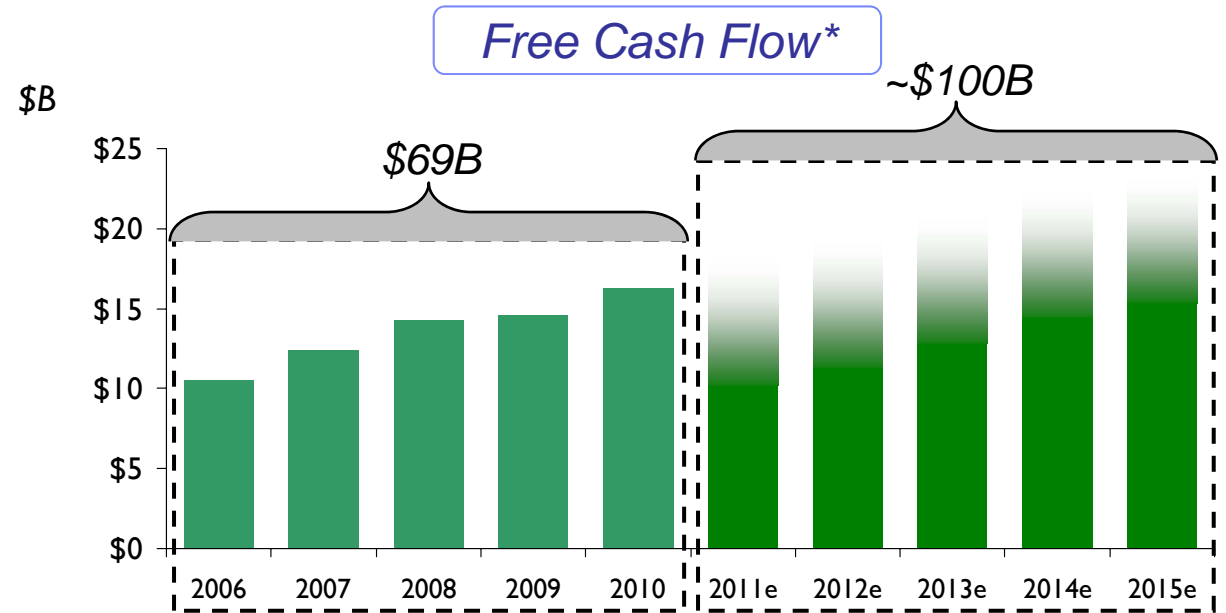
... and enterprise productivity savings of \$8B



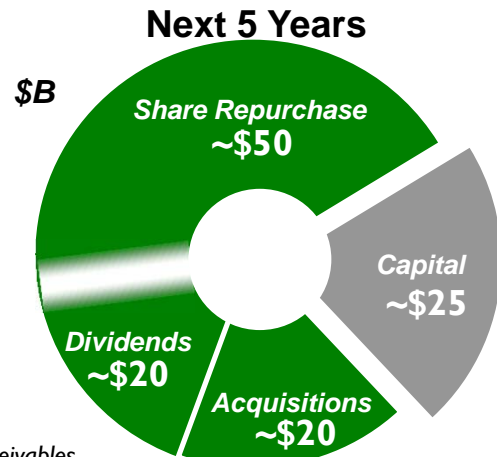
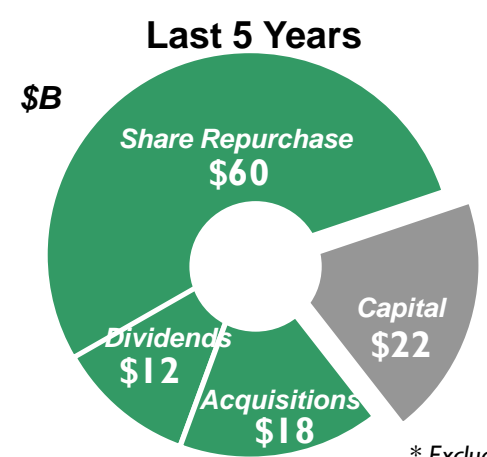
IBM cash generation enables reinvestment and returns



2015 Operating EPS

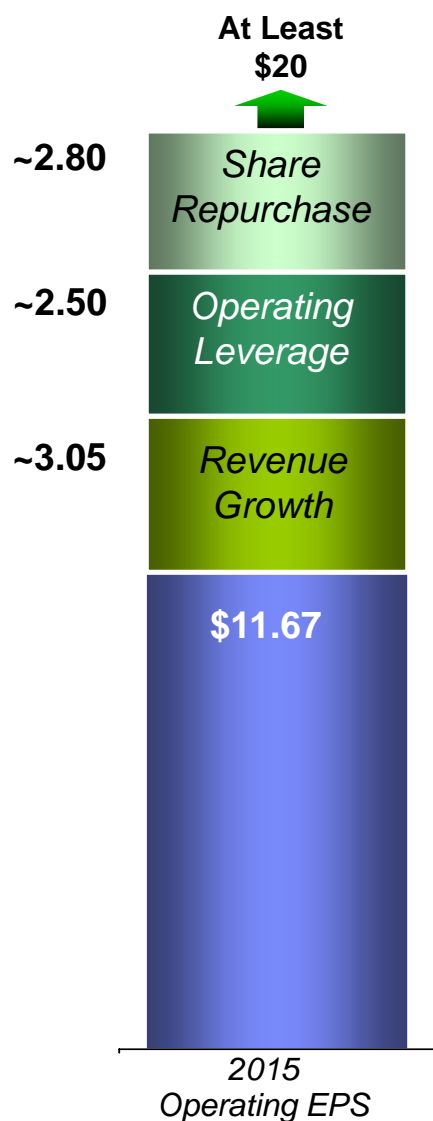


Primary Uses of Cash



* Excluding GF Receivables

IBM's model supports the roadmap base and provides opportunity for upside



- Full execution on business unit objectives
 - +1 to 2% Additional Revenue Growth
- Full benefit of \$8B in enterprise productivity savings to the bottom line
 - +\$5B Profit
- Cash generation and capital structure
 - +\$40B Financial Flexibility

“IBM’s Future: The Same, Only More So”

NY Times, May 12, 2010

Last 10 Years

Nearly tripled our EPS

~\$109B of free cash flow

~\$107B of capital returned to shareholders

~\$32B investment on acquisitions

Tripled software profit

Growth Markets from 11% to 21% of geographic revenue*

Next 5 Years

Nearly double our EPS

~\$100B of free cash flow

~\$70B of capital returned to shareholders

~\$20B investment on acquisitions

Nearly double software profit

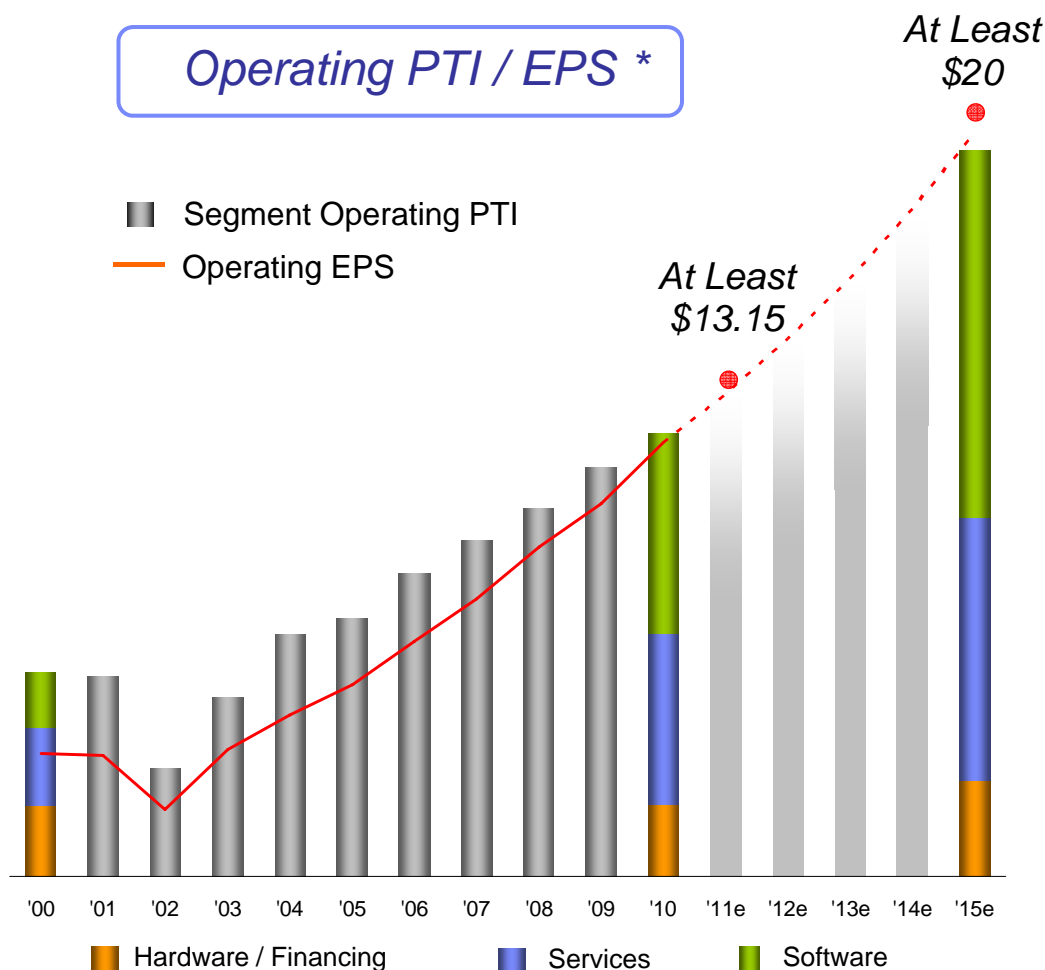
Growth Markets approaching 30% of geographic revenue

* Revenue mix percentages exclude divestitures (PCD, Printers)

The IBM transformation continues in the 2015 Roadmap

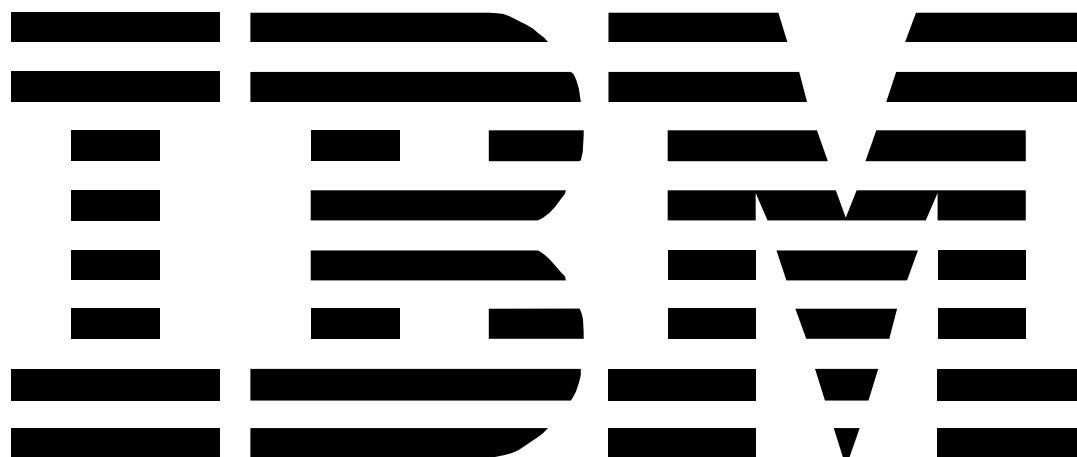
Operating PTI / EPS *

2015 Roadmap



- Software contributes about half of our segment profit
- Growth initiatives deliver \$20B in revenue growth
- Growth markets revenue approaches 30% of IBM's total
- Enterprise productivity delivers \$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 charges
 2000 & 2001 segments not restated for stock based compensation
 Sum of external segment pre-tax income not equal to IBM pre-tax income



Agenda

- Strategy and Historical Performance
- 2015 Roadmap
- Appendix: IBM Growth Initiatives

IBM's strategy and growth initiatives are aligned

Become the premier Globally Integrated Enterprise

Focus on open technologies and high-value solutions

Deliver integration and innovation to clients

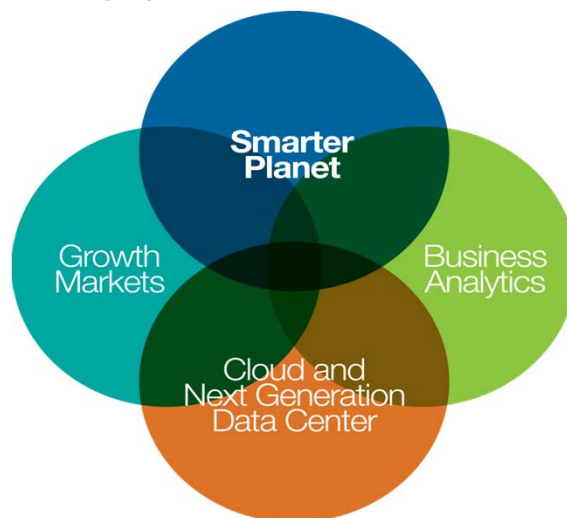
Smarter Planet

Grows to ~\$10B business by 2015

Approximately 400 recent client engagements illustrate reach

Growth Markets

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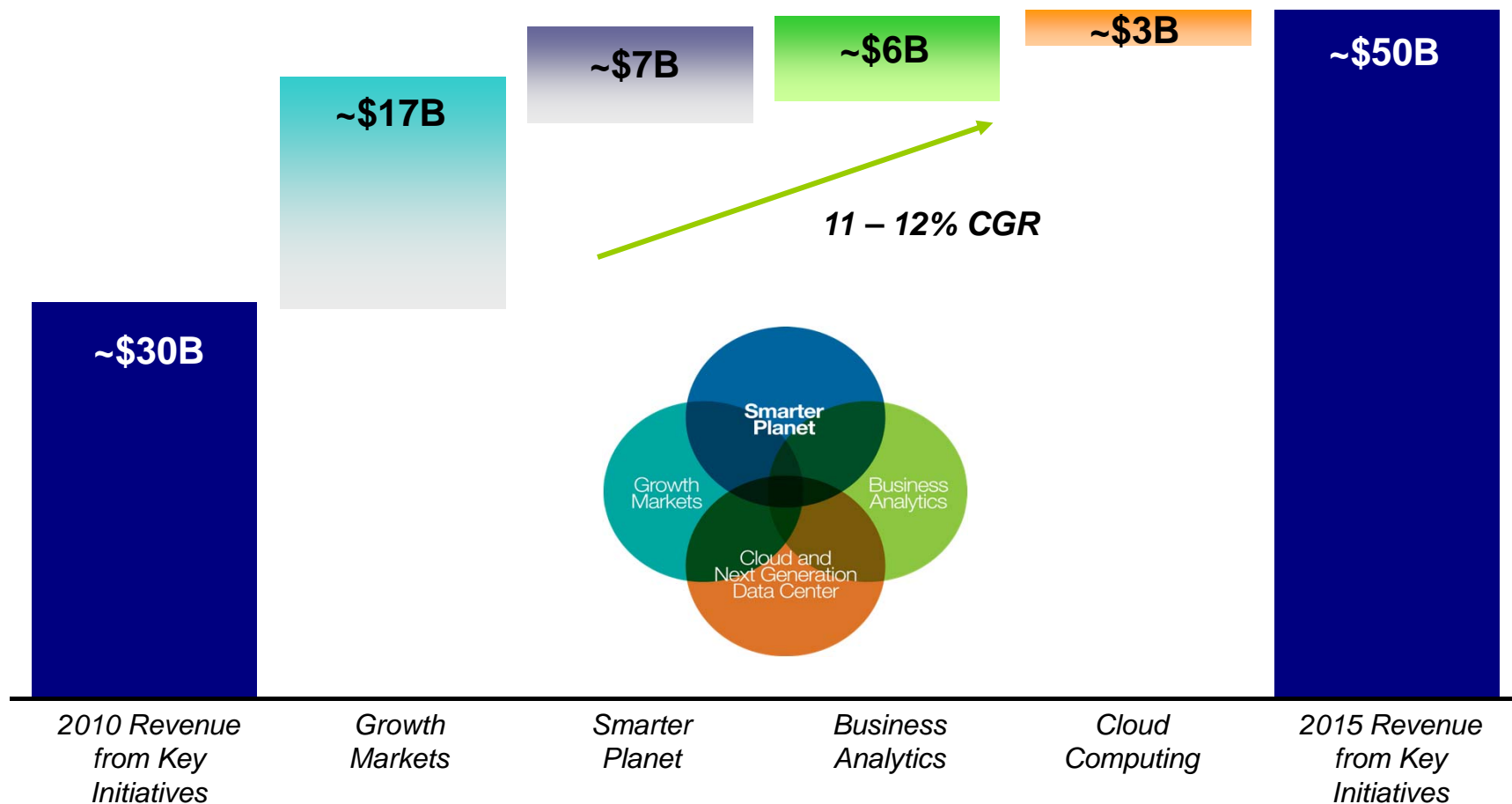
Business Analytics

- 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

Our four initiatives deliver ~\$20B of revenue growth over the 2015 Roadmap



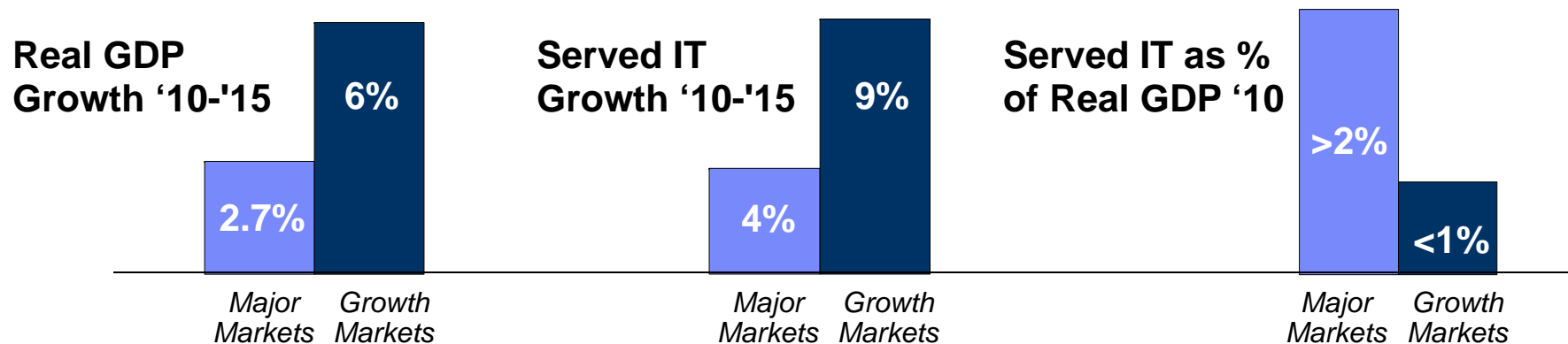
Significant opportunity in Growth Markets



100 million The number of people moving to urban cities every year, equivalent to 10 NYC's

5.9 billion 87% of the world's population

\$6.3 trillion Real GDP growth 2009 to 2015
Over 55% of World GDP growth



Source: IBM Market Insights analysis using GMV Jan 2011 (1H11), CHQ Economics (Apr 8 2011)



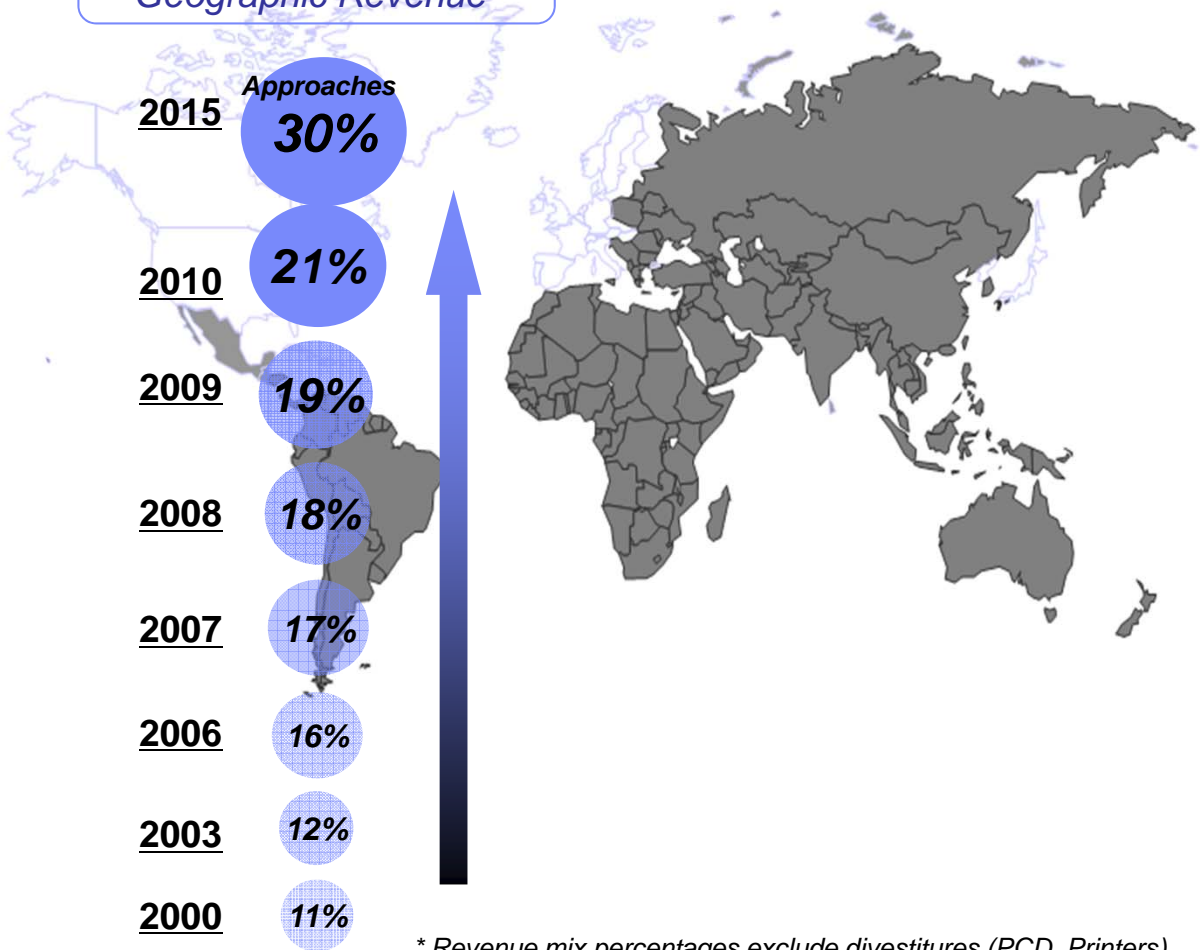
Growth Markets approaches 30% of IBM's geographic revenue by 2015

Market Expansion

IT Infrastructure Development

Industry Leadership

Percentage of IBM Geographic Revenue*

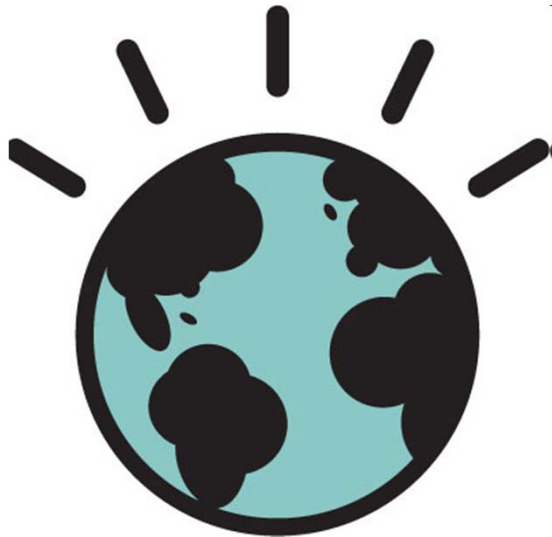


* Revenue mix percentages exclude divestitures (PCD, Printers)

New solutions are being enabled by a Smarter Planet

Smarter
Planet

Today, IBM is helping our clients to **change the way the world literally works** – and to make the planet not just smaller and “flatter,” but **smarter**. IBM is applying its expertise, global scope and creativity to build the backbone of 21st century industries and cities.



Our world is becoming

INSTRUMENTED



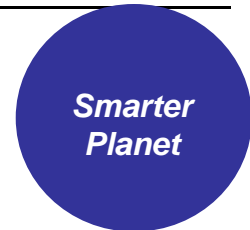
Our world is becoming

INTERCONNECTED







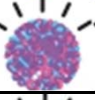




Virtually all things, processes and ways of working are becoming

INTELLIGENT



We've aligned the Smarter Planet initiative with nine target industries

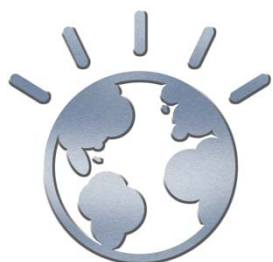
Industry	Software Frameworks	GBS Solutions
 Healthcare	✓	✓
 Telecommunications	✓	✓
 Energy and Utilities	✓	✓
 Banking	✓	✓
 Oil and Gas	✓	✓
 Retail	✓	✓
 Government	✓	✓
 Transportation	✓	✓
 Electronics	✓	✓

Smarter Planet Progress

- 6000+ client engagements
- 800+ client references globally
- \$3B revenue in 2010
- 20% revenue growth in 1Q11

Expect \$10B revenue by 2015

Business Analytics and Optimization

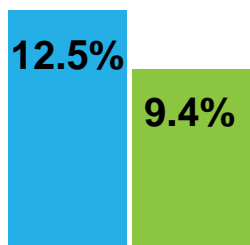


Business analytics is the key to enabling our clients to turn oceans of data into predictive models and actionable decisions

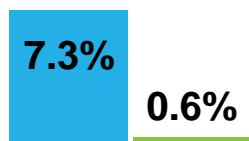
\$75B software opportunity in 2015

Why analytics matters...

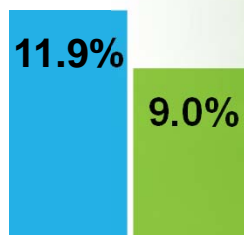
33% more Revenue Growth



> 12x more Profit Growth



32% more Return on Invested Capital



- Finance organizations with business insight
- All other enterprises

ADVANCED ANALYTICS
 INNOVATION
 COLLABORATION
 TRANSFORMATION
 CLOUD



Source: IBM Global Business Services, The Global CFO Study 2010, 1H11 IBM Market Insights

IBM's Business Analytics and Optimization capabilities

Business Analytics

- Since 2005 **\$14B** investment acquiring 25 companies
- **10,000+** technical professionals
- **7,500+** dedicated consultants
- **Largest** math department in private industry
- **27,000+** Business Partner certifications
- **8** Analytics Solutions Centers
- Optimized hardware and software offerings
- **100** analytics-based research assets; almost **300** researchers
- Significant marketing investment worldwide in New Intelligence through Smarter Planet

Cloud is both a transformational IT trend and opens new opportunities for IBM

Cloud enables:

- Self-service
- Sourcing options
- Economies-of-scale

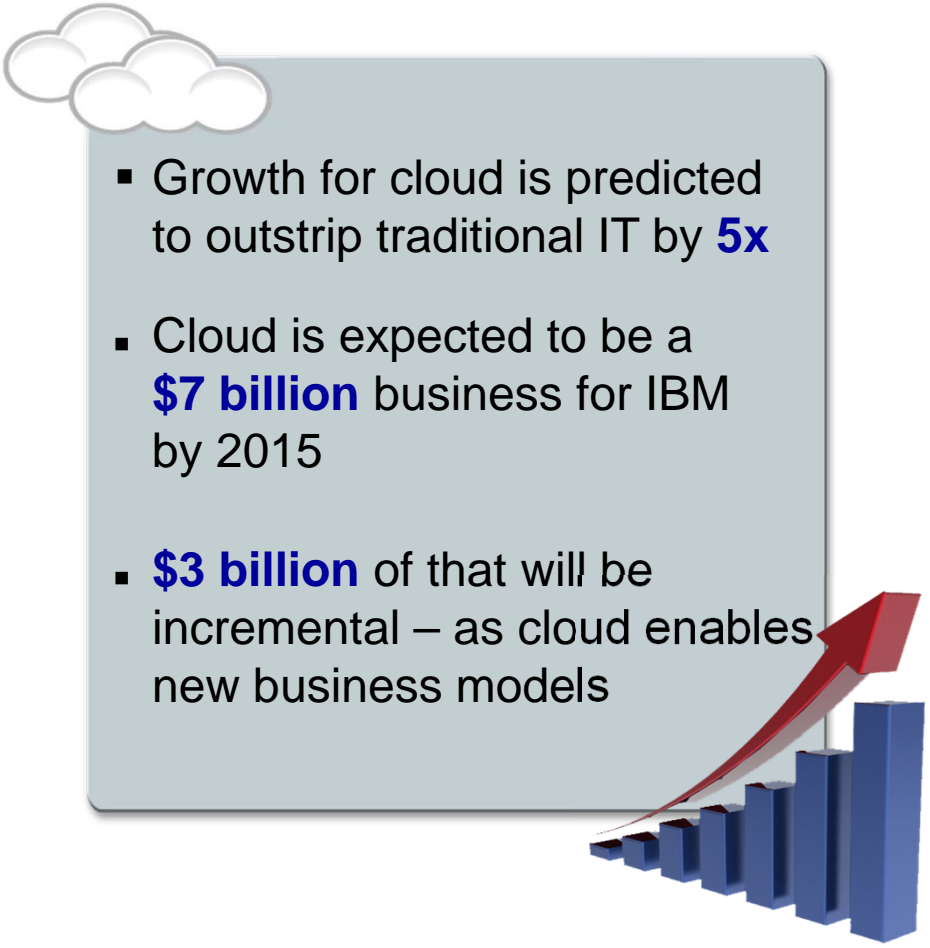
Cloud represents:

The Industrialization of delivery for IT supported services

Multiple types of clouds will co-exist:

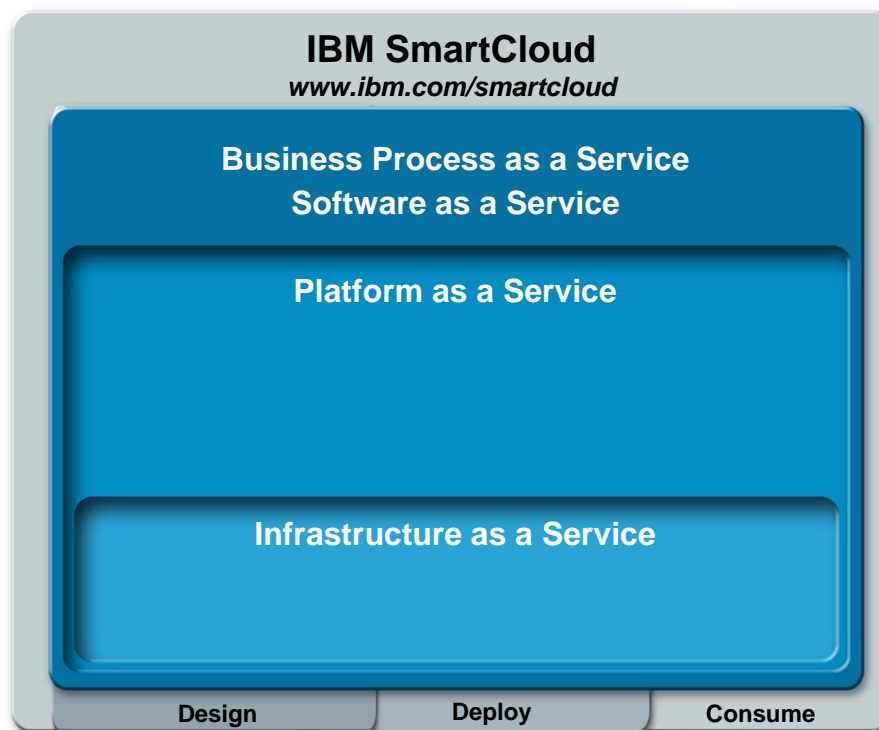
- Private, Public and Hybrid
- Workload and/or Programming Model Specific

Businesses are adopting cloud to optimize IT & improve processes

- 
- Growth for cloud is predicted to outstrip traditional IT by **5x**
 - Cloud is expected to be a **\$7 billion** business for IBM by 2015
 - **\$3 billion** of that will be incremental – as cloud enables new business models

IBM has end-to-end capabilities to help enterprise clients move to cloud

- **2k** successful Cloud engagements in 2010
- **50%** of Fortune 10 and Fortune 50 working with IBM on private Clouds
- **80%** of Fortune 500 companies using IBM Cloud capabilities
- Managing **>1M** virtual machines worldwide
- **35K** Marketers across six continents utilize IBM Marketing Operations on demand daily on the IBM Cloud



**Infrastructure to business solutions
in multiple deployment models**

- **19M** SaaS users
- **4.5M** Client transaction managed per business day on the IBM Smart Cloud
- **13B** Security events managed / Day for more than 4,000 clients
- **6B** consumer interactions managed in 2010 on the IBM SmartCloud
- **9K** North American shipping carriers use an IBM Software as a Service application

