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Chairman, President and Chief Executive Officer

Strategic Overview



IBM **Investor** Briefing

Our Results: Record Performance in 2008

\$103.6 billion Revenue, up 5%

\$16.7 billion Pre-tax Income, up 15%

\$8.89* Earnings Per Share, up 24%

\$14.3 billion in Free Cash Flow, up \$1.9 billion**

**Very strong performances in key growth segments:
services, software and growth markets**

** EPS has been restated to reflect the adoption of EITF 03-6-1*

*** Excluding Global Financing receivables*

Strong Results Confirm Our Strategic Choices

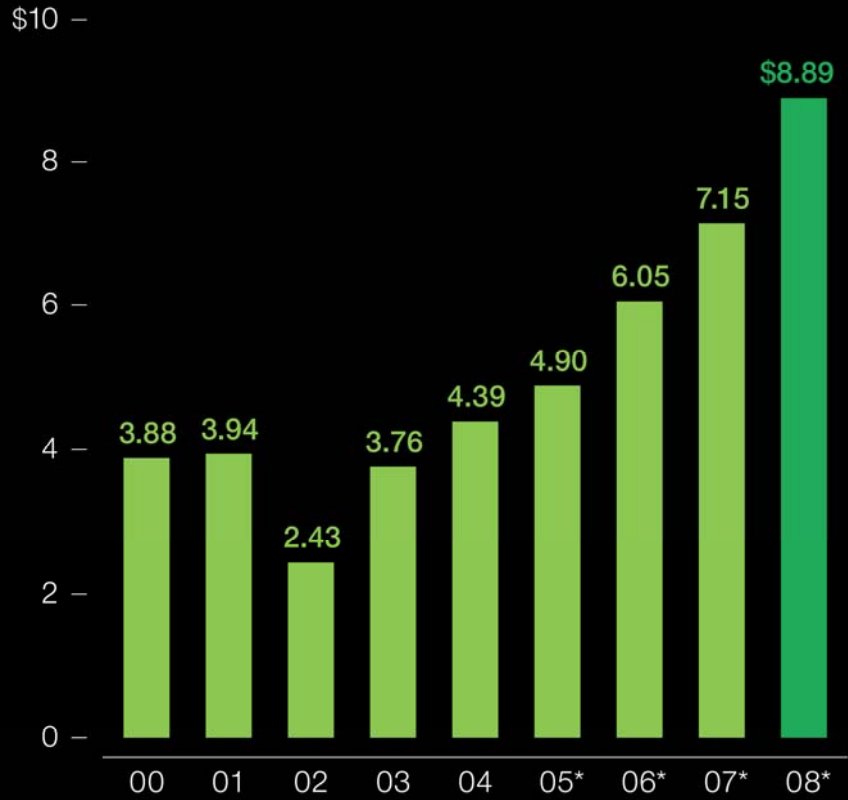
- I. *Changes in world markets:*
We are at the forefront of global integration

- II. *Changes in IT:*
We are shifting to higher value segments

- III. *Changes in client needs:*
We are focused on integration and innovation

Historical Performance

EARNINGS PER SHARE



REVENUE AND PRE-TAX INCOME

(\$ in billions)



*Restated to reflect the adoption of EITF 03-6-1

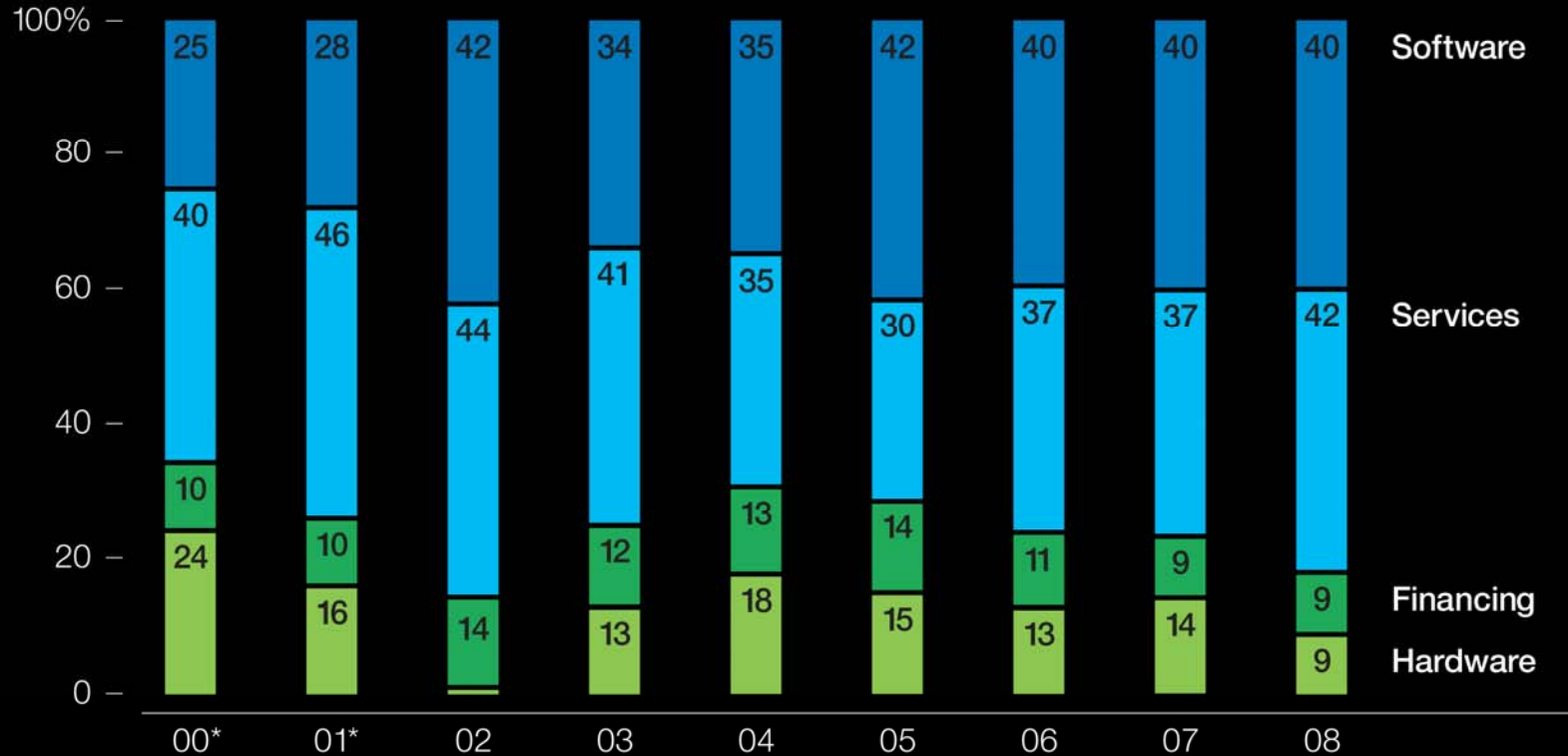
Segment Pre-tax Income Mix

2000
Pre-tax Margin
12.0%

2000
Pre-tax Income
\$10.2B

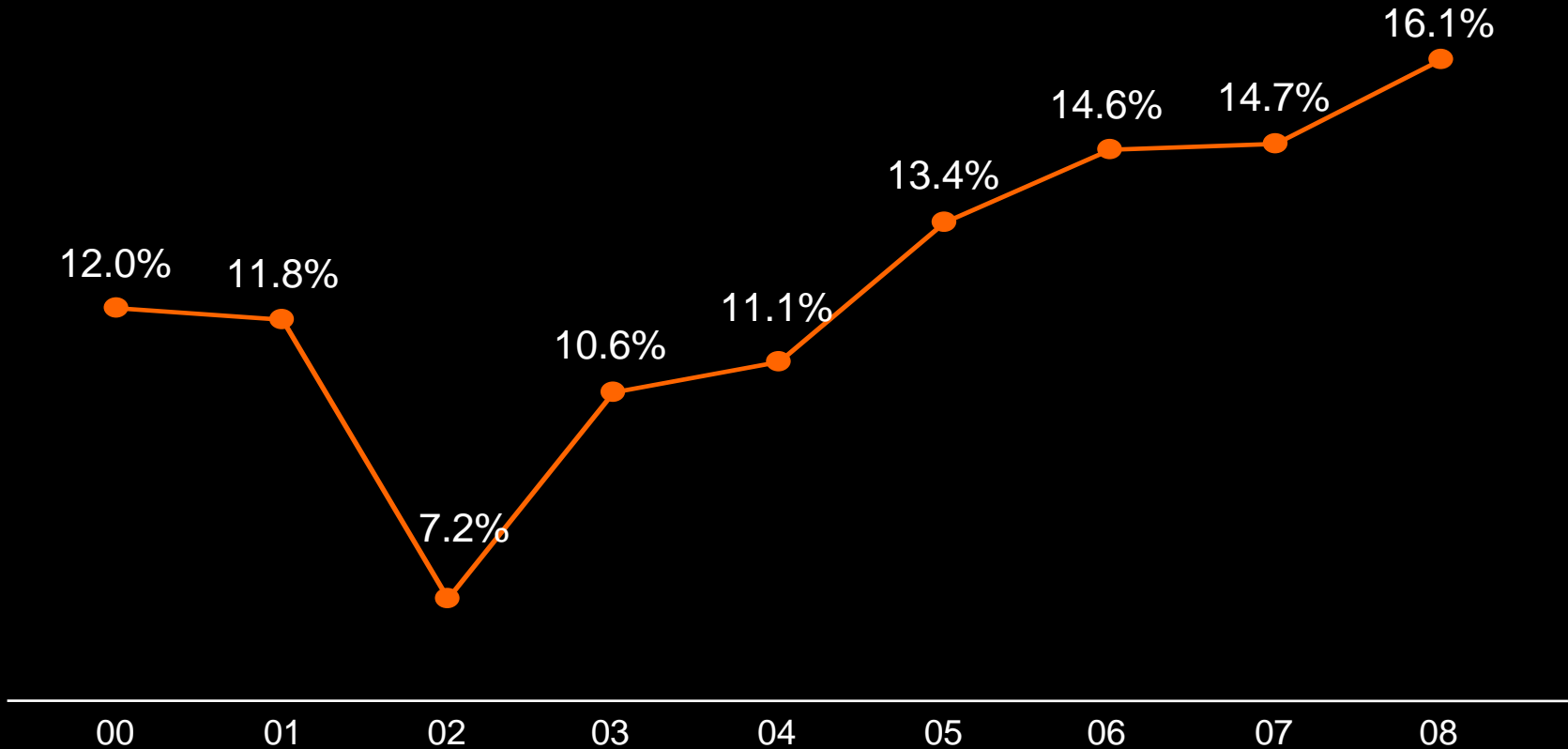
2008
Pre-tax Margin
16.1%

2008
Pre-tax Income
\$16.7B

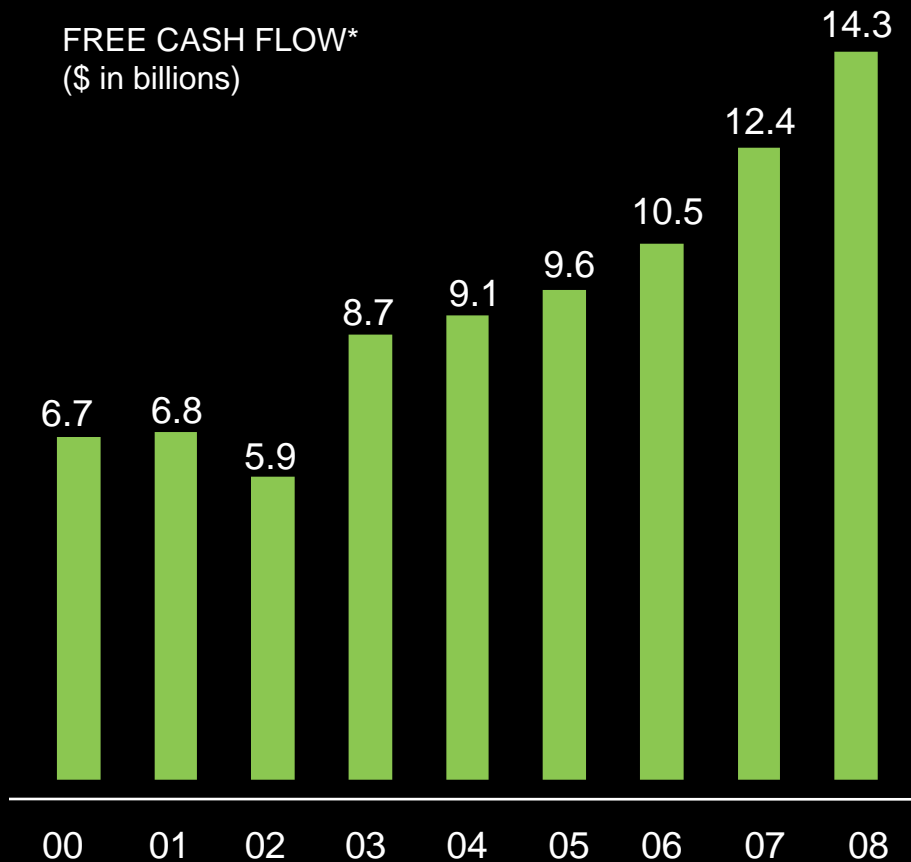


* Segment mix excludes Enterprise Investments and stock-based compensation.

Pre-tax Income Margins



Cash Generation Enabling Investment and Shareholder Returns

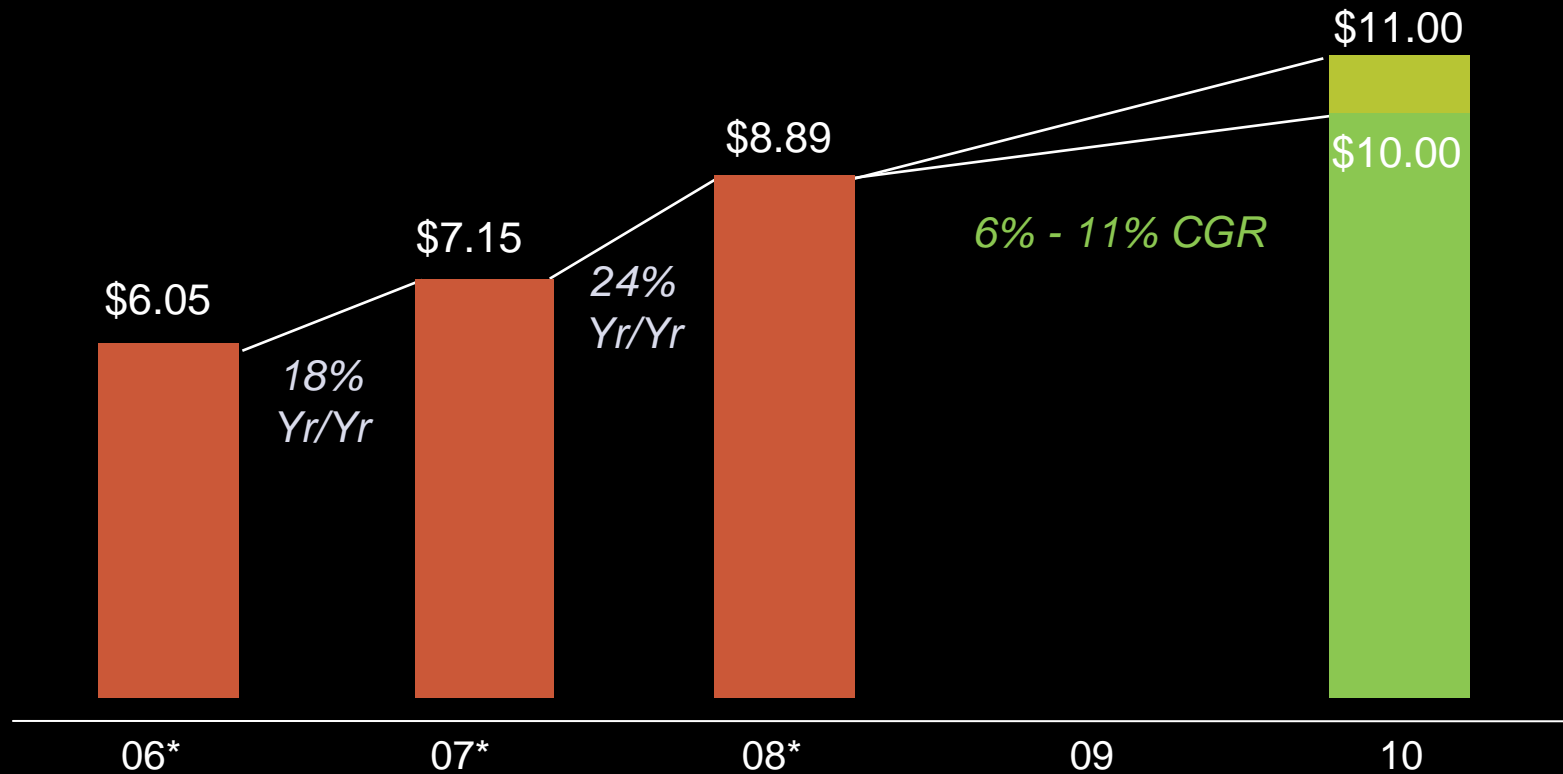


From 2000 to 2008:

- **\$86B** returned to shareholders in form of dividends & share repurchases
- **\$60B** invested in capital expenditures and acquisitions
- **\$50B** spend on R&D

*Excluding Global Financing receivables

Earnings Per Share Roadmap to 2010



| | | | | | |
|---------------------------|------------------|------------------|--------------------|---------------------|--------------------------|
| Historical Revenue Growth | Margin Expansion | Share Repurchase | Growth Initiatives | Future Acquisitions | Retirement Related Costs |
|---------------------------|------------------|------------------|--------------------|---------------------|--------------------------|

IBM Growth Strategy

Objectives from 2006 to 2010

- Emerging country revenue doubles
- Virtualization drives richer server configurations and an additional \$1B of gross profit
- Services businesses leverage scalable IP and global delivery to drive services margin improvement of 2 points
- Software profit expands as a percentage of IBM total

Our Progress Through 2008

- BRIC grew 18% in '07 and 15% in '08 at constant currency
- Formed Growth Market organization to drive performance beyond BRIC
- Generated ~\$0.6B of incremental gross profit from virtualization
- Margin expansion of 1 point driven by GBS utilization and GTS delivery excellence *
- Software profit grew 13% compounded over the last two years and represents 43% of IBM profit **

* Excluding Yr/Yr pension savings


** Excluding Yr/Yr pension savings and amortization for acquired intangibles

2009 / 2010 Priorities

- I. Deliver client value**
- II. Continue margin expansion**
- III. Generate cash flow**
- IV. Deliver shareholder returns**
- V. Invest for the future**

We Are Well Positioned

- **Balanced geographically**
- **Significant annuity content**
- **Competitive cost structure**
- **Operating leverage and cash flow generation**
- **Financial flexibility to continue investing**



*Continued
focus on
returning
value to
shareholders*



Certain comments made in the presentation may be characterized as forward looking under the Private Securities Litigation Reform Act of 1995. 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.

These charts and the associated remarks and comments are integrally related, and are intended to be presented and understood together.

In an effort to provide additional and useful information regarding the company's results as determined by generally accepted accounting principles (GAAP), certain materials presented during this event include non-GAAP information. The rationale for management's use of this non-GAAP information, the reconciliation of that information to GAAP, and other related information is included in supplementary materials entitled "Non-GAAP Supplementary Materials" that are posted on the Company's investor relations web site at <http://www.ibm.com/investor/events/analyst0509/>. The Non-GAAP Supplementary Materials are also included as Attachment II to the Company's Form 8-K dated May 13, 2009.

