

Global Business Services

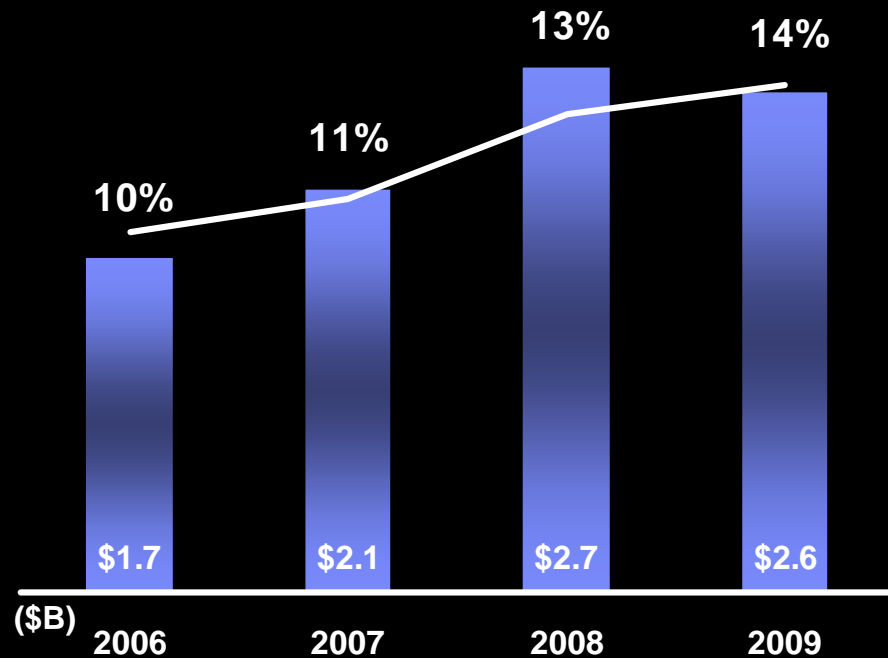
Frank Kern
Senior Vice President
Global Business Services

IBM **Investor** Briefing



Global Business Services: 2010 Roadmap Performance

Historical PTI Performance



GAAP View

■ GBS PTI Growth

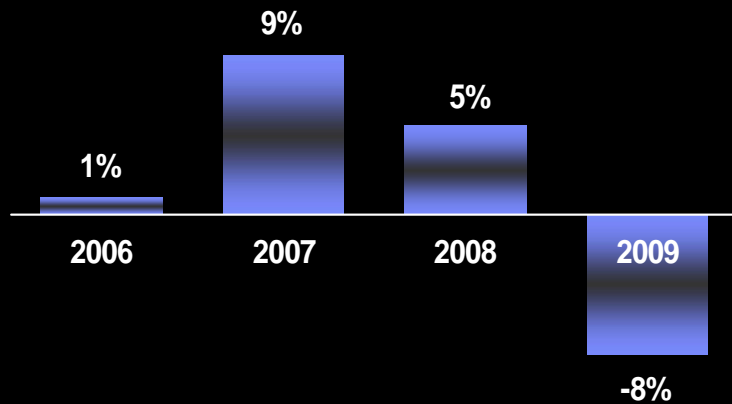
- 2006 - 2009 PTI growth of 50%
- PTI growth CAGR of 14%
- 4 points of margin expansion

■ Performance Highlights

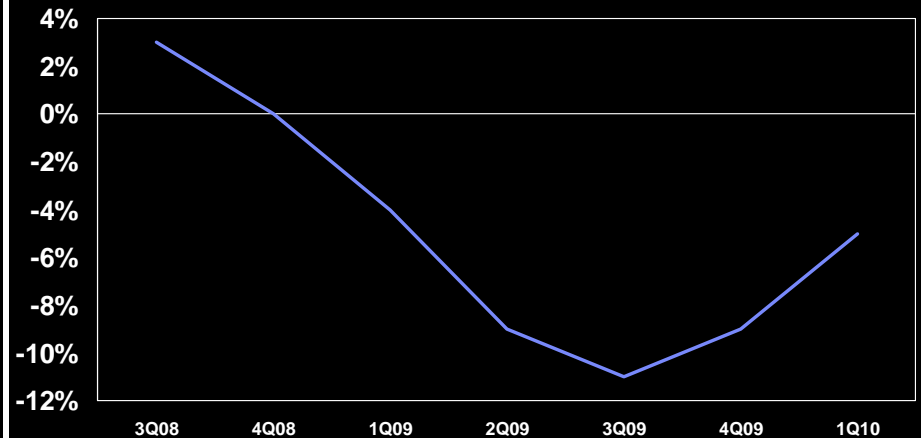
- Deployed Fourth-Generation Globally Integrated Capability Model
 - Resources in Centers: >40%
- Increased asset / IP content in solutions
- Improved utilization 10 points

GBS margin expansion

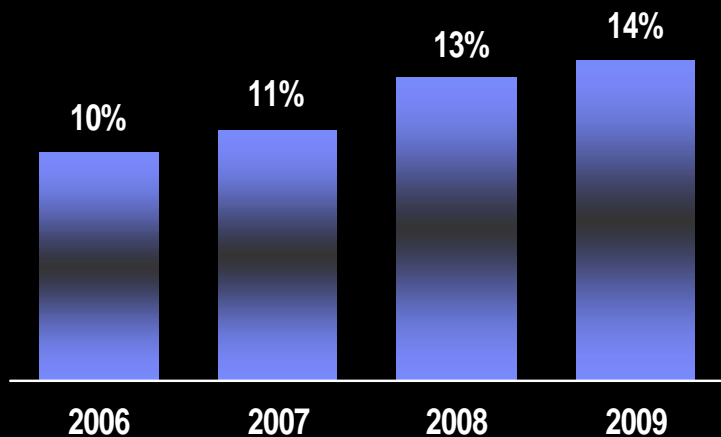
Revenue Growth (@ constant currency)



Quarterly Revenue Growth (@ constant currency)



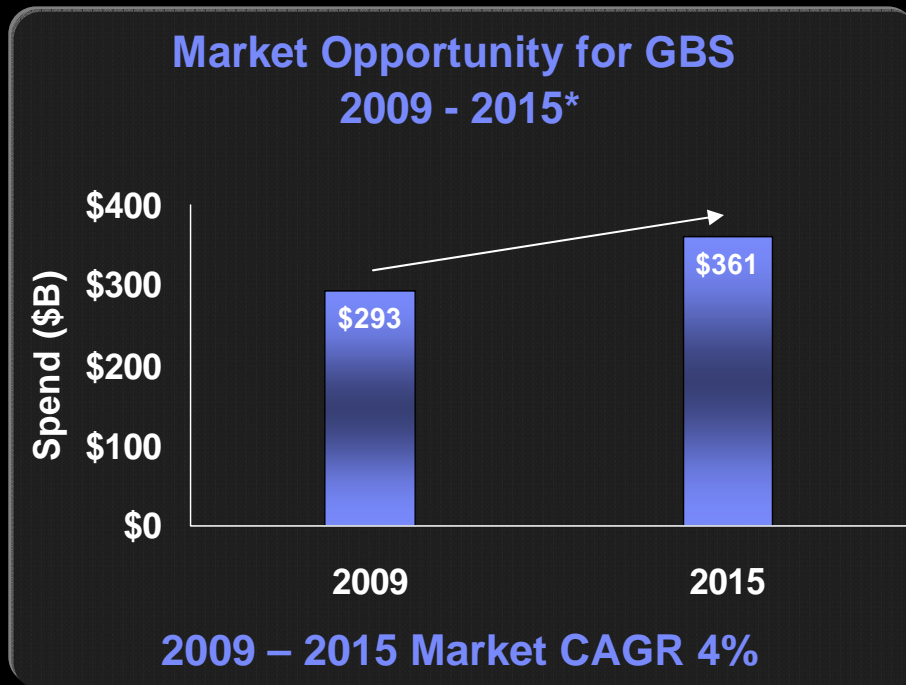
Pre-Tax Income Margin



- Expanded margins despite the economic slowdown and revenue declines – through productivity actions
- Revenue growth and margin expansion will contribute to operating pre-tax income growth going forward

Model Objectives – Gain Share and Expand Margin

- Align with IBM Growth Initiatives to grow faster than the market
 - Ramping up 2010 hiring to support future growth



<i><u>IBM Growth Initiatives</u></i>	<i><u>Above Market Growth</u></i>
<i>Business Analytics and Optimization</i>	✓
<i>Smarter Planet</i>	✓
<i>Growth Markets</i>	✓
<i>Cloud Computing</i>	✓

- Generate profit growth through a shift in the revenue mix of our portfolio, combined with continued margin expansion
 - Solutions are projected to drive 2 points of margin above the rest of the portfolio
 - Continue to leverage operational transformational initiatives

Global Business Services will help deliver IBM's 2015 Roadmap

IBM Roadmap to 2015

*Base
Revenue
Growth*

*Growth
Initiatives*

*Future
Acquisitions*

*Operating
Leverage*

*Portfolio
Mix*

Revenue growth at or above the market

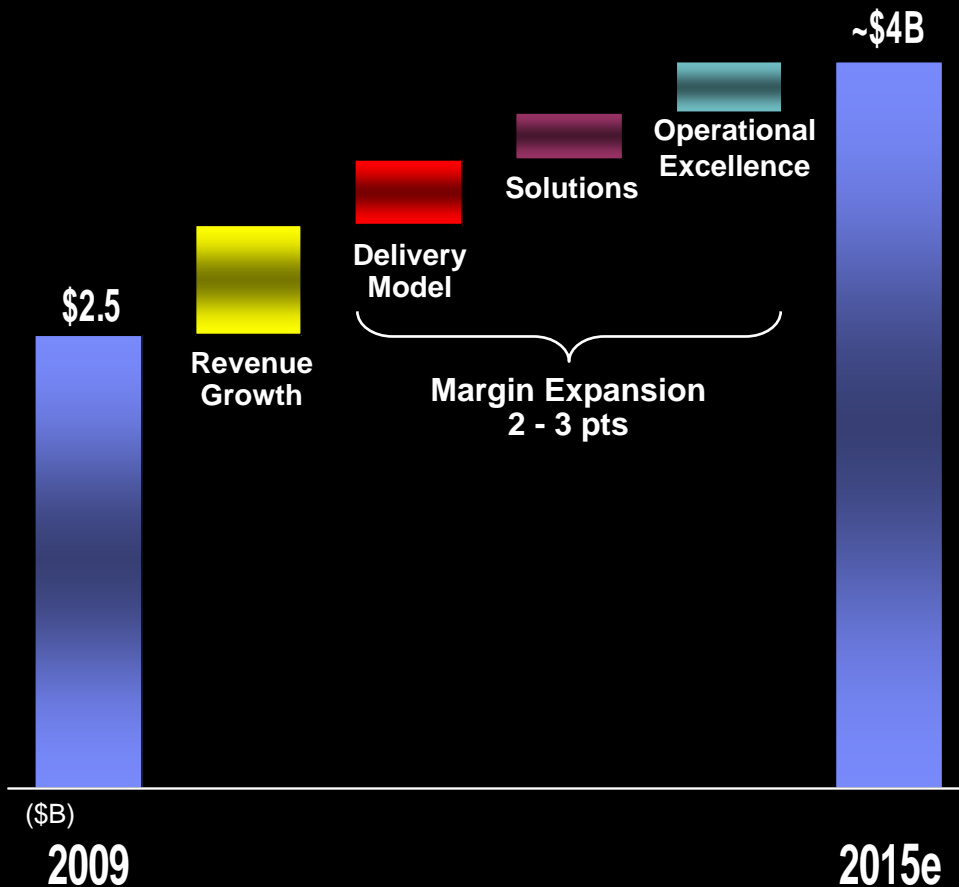
- Alignment to IBM's growth initiatives
 - Represents over 60% of growth
- Differentiated cross-IBM solutions
 - Software, Hardware and Research
- Unmatched client insight
 - CFO Study (February 2010)
 - CEO Study (May 2010)

Continued margin expansion

- 2 - 3 pts by 2015
- Globally integrated capability model
- Differentiated solutions
- Operational excellence

Operating pre-tax income long-term growth model: 8% to 10%

Our model combines revenue growth with margin expansion



(\$B)

2009

2015e

Non-GAAP View

2015 Roadmap Commitment

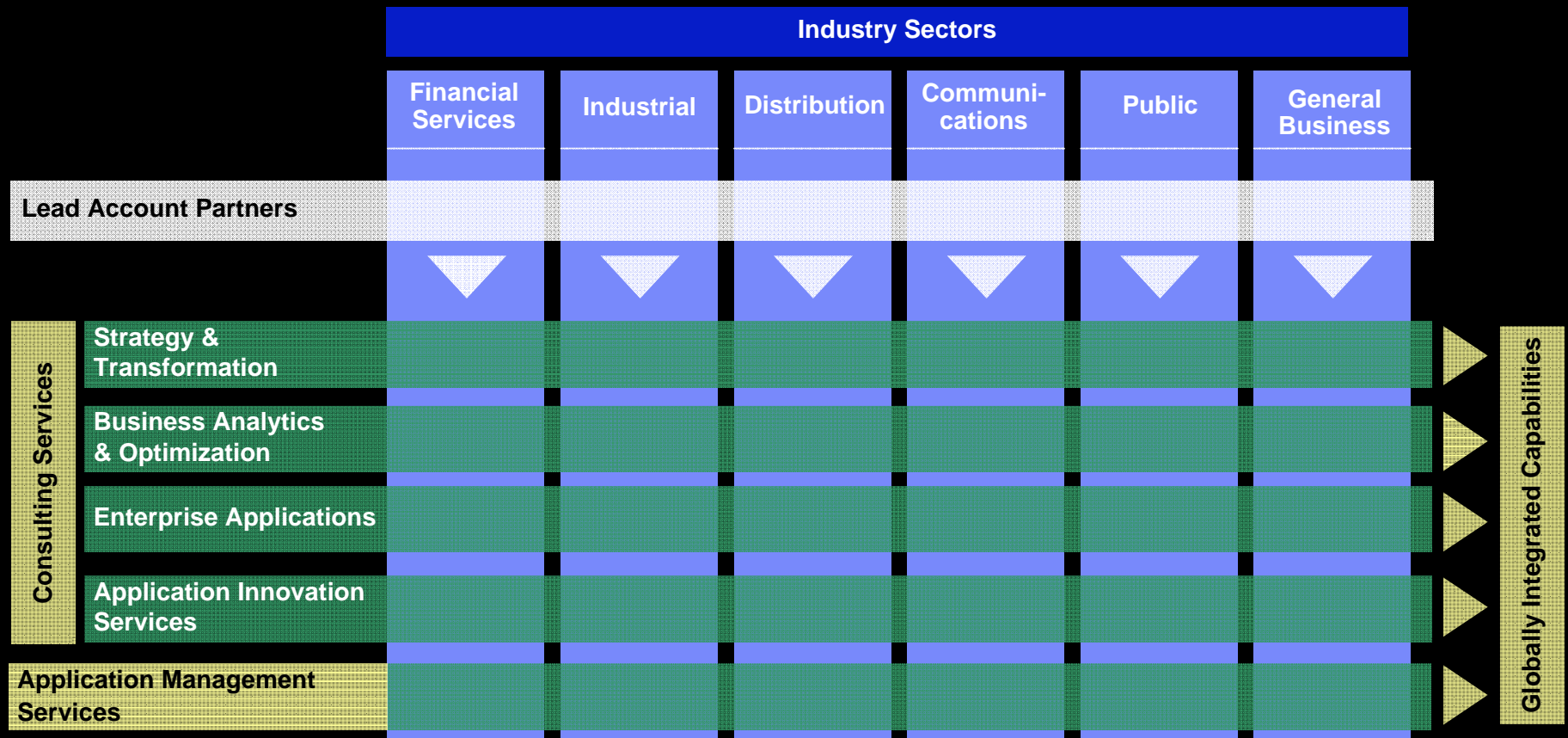
Revenue Growth

- Service Line Transformation
- Smarter Planet
- Business Analytics and Optimization

Margin Expansion

- Delivery Model: >60% in Centers
 - Globally Integrated Capabilities
- Solutions: 2 pts of margin above base
 - Asset deployment
- Operational Excellence: 1 pt of margin
 - Enterprise Productivity

Service line transformation



Business Model Transformation aligns us to our Smarter Planet and Business Analytics and Optimization agenda to drive growth

Smarter Planet solutions provide measurable benefits

Industry
Healthcare
Transportation
Oil and Gas
Energy and Utilities
Telecommunications
Retail
Banking
Government
Electronics

Intelligent Transportation

- 50 active engagements
- Stockholm – congestion charging, traffic reduced 25%; 4-year payback on \$120M investment
- Singapore - predictive analytics, forecasts congestion 30 to 60 minutes in advance



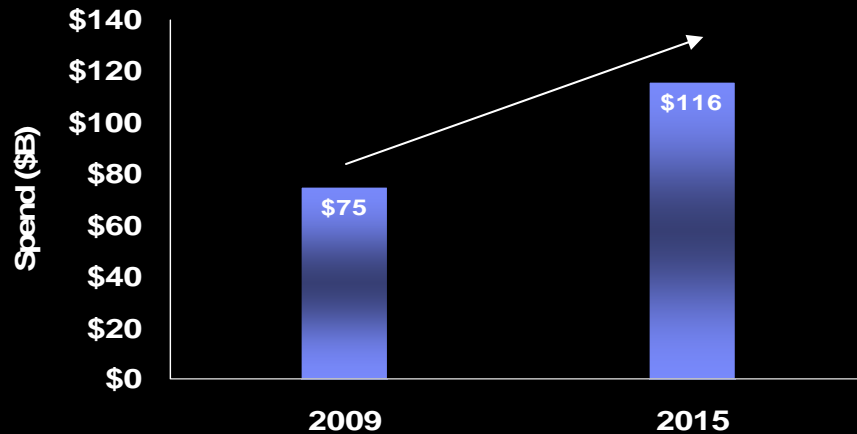
Smart Grid

- 60 active engagements
- Closed over \$100M in 2010 signings
- Client offerings
 - Strategy: Sempra
 - Automated Metering: Oncor & CenterPoint
 - Grid Operations: Energy Australia



Business Analytics: the leading edge of distinct client value

Services BAO Market Growth 2009 – 2015*



2009 – 2015 Market CAGR 7%

BAO Skills Investment

- Consulting Practitioners
 - April 2009 – 4,000
 - 1Q 2010 – 5,000
 - 2Q 2010 (est) – 6,000
- Established BAO University with Software Group
 - Over 7,000 (est.) practitioners to be trained in 2010
 - Over 70,000 (est.) days of 2010 training

Analytics Solutions Centers



- 1,000 practitioners, majority certified for government contracts
 - Located in a secure military facility
- Expertise and offerings for security, defense, energy, healthcare and biometrics
 - Decision support for military commanders
 - Imaging analytics for National intelligence

Business Analytics: the leading edge of distinct client value



ASSURANT



Simplification & Infrastructure

Advanced Customer Analytics

Risk & Fraud Analytics



nc department of health and human services



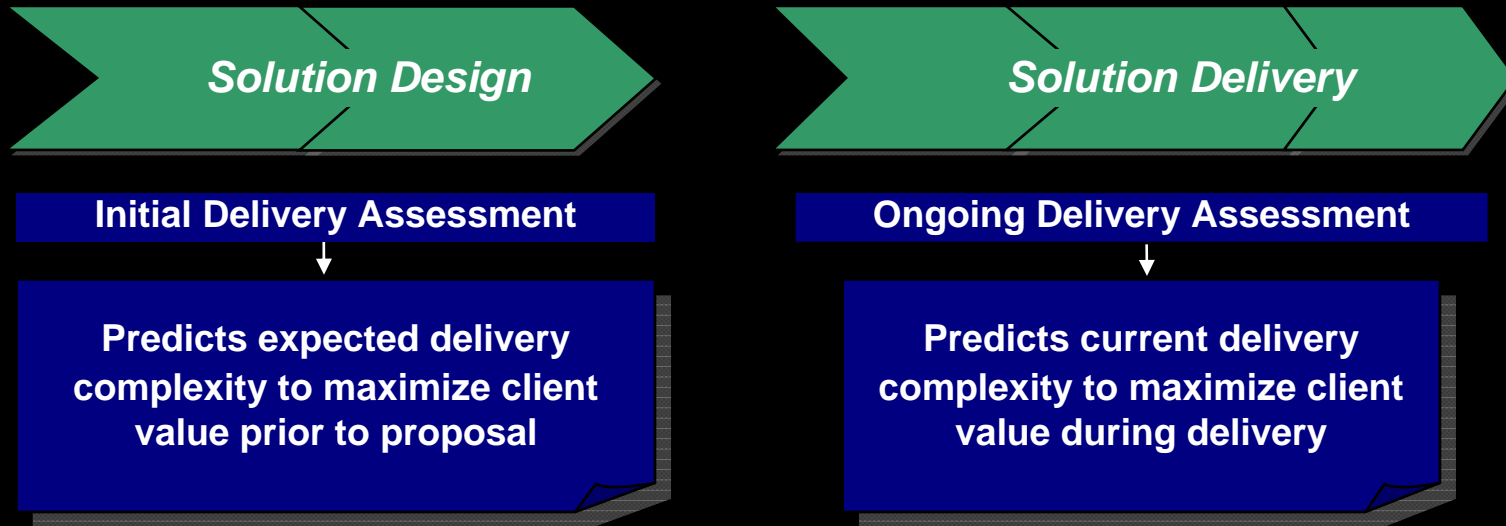
New York State
Department of Taxation and Finance

Globally Integrated Capabilities gives access to worldwide talent and improves delivery efficiency

	First Staff Augmentation 2000 - 2006	Second Supply Driven Global Delivery 2007 - 2008	Third Globally Integrated Delivery Network 2008 - 2009	Fourth Globally Integrated Capabilities 2010+
	<ul style="list-style-type: none"> Focus on hiring in India 	<ul style="list-style-type: none"> Expand beyond India Specialization by industry, domain and technology 	<ul style="list-style-type: none"> Common process, methods & tools Specialized competencies Higher asset content 	<ul style="list-style-type: none"> Globally aligned governance model Integrated industry & domain capability Integrated resource capacity management Globally deployable assets and talent Centers of Competence
Center Resources	< 27%	36%	40%	50+%

Globally Integrated Capability Model drives margin expansion

Operational excellence from superior project management using predictive analytics



Client Benefits

- Increased satisfaction with project execution
- On-time delivery
- Achievement of business result

IBM Benefits

- Early identification of project complexity
- Proper alignment of talent
- Margin improvement

Integrating IBM for Smarter Retail in China



Smart Retail



Growth Markets



SUNING 苏宁电器



Consulting
&
Application Management Services





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

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