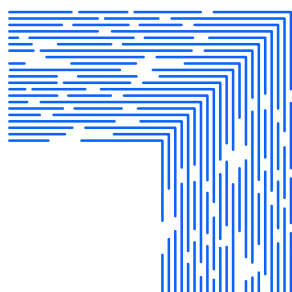




**Arvind Krishna**  
Chairman, President and Chief Executive Officer



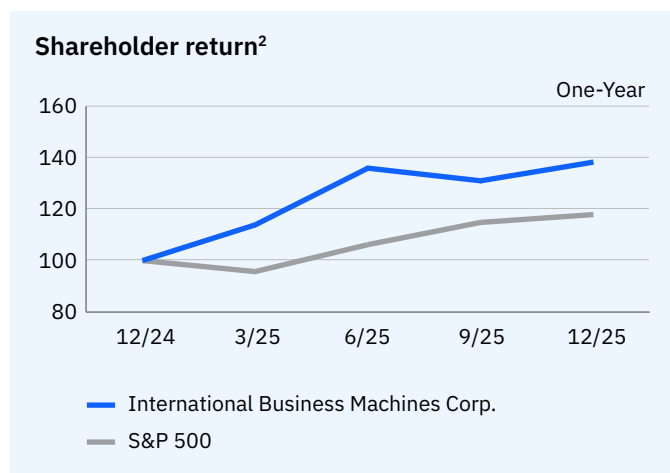
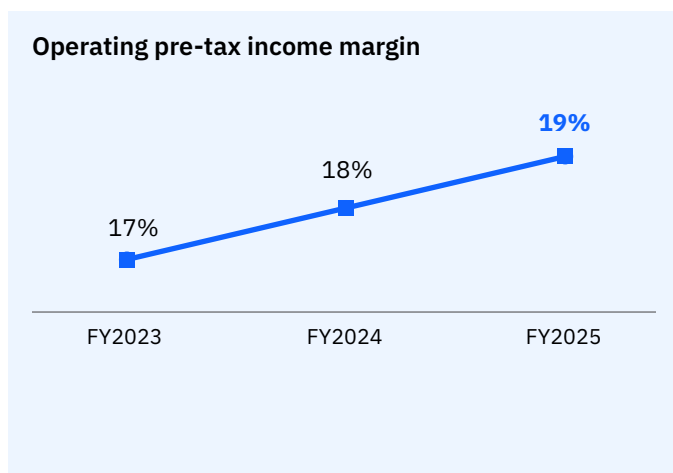
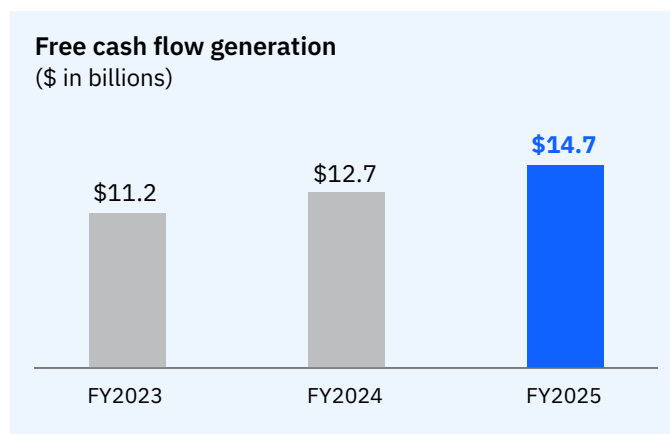
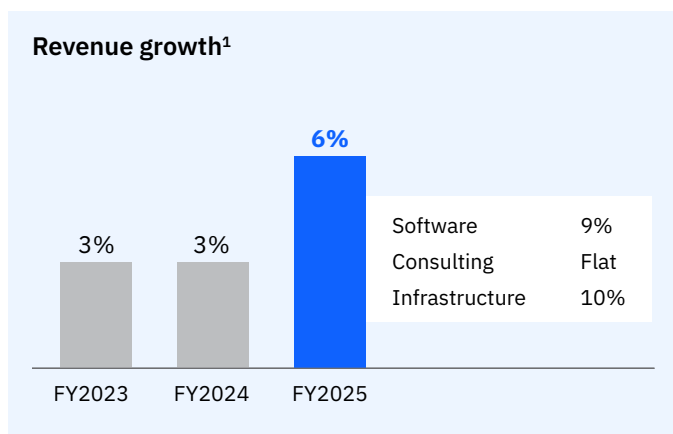
## Dear IBM Investor:

IBM's strategy is built on two technology foundations: hybrid cloud and AI. Together, they unlock the full value of enterprise data and enable businesses to operate with greater intelligence, agility, and scale. We have repositioned IBM as a software-led, fully integrated platform company—combining technology, consulting, and infrastructure. And we're investing in the platforms that will define the next era of computing, including quantum. As this report demonstrates, that strategy is generating strong returns for our clients and shareholders.

2025 was the year business leaders stopped speculating about what AI could do and started asking what it would deliver. IBM answered by deploying enterprise AI that improves the economics of real work—boosting productivity, increasing innovation, strengthening competitive advantage, and fueling growth. IBM's technology and expertise are helping thousands of clients become smarter businesses by embedding AI into their core systems, workflows, and processes. And we are applying this approach inside our own company.

For the year, IBM generated \$67.5 billion in revenue, up 6% at constant currency. We delivered \$14.7 billion in free cash flow—our highest in over a decade and our highest free cash flow margin in reported history. Our generative AI book of business now stands at more than \$12.5 billion since inception to date. Software revenue grew 9% at constant currency. This was our highest annual growth rate in history, and software now represents approximately 45% of IBM’s total revenue. Consulting revenue was flat at constant currency, reflecting consistent demand for AI-enabled workflow transformation. Infrastructure revenue grew 10% at constant currency, led by strength in mission-critical platforms like the new z17.

In 2025, IBM expanded operating pre-tax income margin by 100 basis points, driven by our continued repositioning to higher-value offerings as well as our productivity initiatives. We have now delivered approximately \$4.5 billion in productivity savings since the beginning of 2023. In aggregate, our strong results enabled us to make significant investments in the business and deliver value to our shareholders. We returned \$6.3 billion to shareholders through dividends, closed 10 acquisitions—including HashiCorp—and invested over \$8.3 billion in research and development to fuel continued innovation.



<sup>1</sup> YoY revenue growth rates at constant currency

<sup>2</sup> \$100 invested on 12/31/24 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

These results reflect the strength of IBM’s strategy as a software-led company built on four core platforms: hybrid cloud, AI, infrastructure with IBM Z, and an emerging platform around quantum computing. These platforms are supported by IBM’s integrated portfolio of technology, consulting, and research. The power of this strategy lies in our ability to deliver differentiated and integrated value. IBM is the only company that builds, deploys, and manages enterprise AI on hybrid cloud. We provide integrated business solutions across software, consulting, and infrastructure, which creates new value for clients and compounds revenue opportunities for IBM. Today, more than 80% of our revenue comes from clients who transact across these three business segments. The result is a flywheel effect, where revenue in one area pulls through revenue in others.

IBM invested over \$8.3 billion in R&D in 2025—not just in product development, but also in breakthrough science, including quantum computing. As hybrid cloud and AI scale intelligence today, quantum will soon work alongside those technologies to solve problems once considered impossible. We believe quantum technology today is comparable to where GPUs were in 2015: early, imperfect, but potentially transformative. As quantum computers swiftly advance from science to engineering, IBM is building the hardware, software, and ecosystem to make them a reality.

We are bringing smarter business to life for a broader set of clients through an AI-first sales engine and an open, partner-led ecosystem. IBM is also becoming a smarter business itself. Our Client Zero approach uses IBM’s own technology and expertise to make internal improvements first, then scale those solutions for clients. AI-driven automation has contributed to new innovations and productivity gains

through operational improvements across HR, finance, sales operations, and IT. Our push for greater productivity is also driven by a cultural transformation that fosters growth and performance by emphasizing speed, risk tolerance, and talent.

The most successful businesses convert new technology into operating leverage. This was true of the internet, it was true of hybrid cloud, and it is true of AI. AI is redefining business economics by making possible what was previously too complex, too slow, or too costly. Enterprises that integrate AI into real workflows, at scale, and with clear economic returns will win. That is the promise of creating a smarter business. And that is the future IBM is delivering for our clients and our shareholders. I invite you to continue this smarter business journey with us.



**Arvind Krishna**  
Chairman, President and Chief Executive Officer

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), this letter contains non-GAAP financial measures, including revenue growth rates at constant currency, free cash flow, operating pre-tax income margin and year-to-year points growth. The rationale for management’s use of this non-GAAP information is included on pages 6, 7, 31 and 32 of the company’s 2025 Annual Report, which is Exhibit 13 to the Form 10-K submitted with the SEC on February 24, 2026. For reconciliation of these non-GAAP financial measures to GAAP and other information, please refer to pages 16, 27 and 32 of the company’s 2025 Annual Report and Exhibit 99.1 to the company’s 8-K furnished to the SEC on January 29, 2025 (FY2024) and January 24, 2024 (FY2023). Highest annual software year-to-year growth rate in history comparison includes FY2022 year-to-year software growth rate excluding Kyndryl contribution of ~6pts. Generative AI book of business is calculated as inception to date Software transactional revenue, plus new SaaS Annual Contract Value and Consulting signings related to specific offerings. For more information regarding generative AI book of business, refer to Exhibit 99.2 of the Form 8-K submitted with the SEC on January 28, 2026.