

IBM **Investor** Briefing

Integrated Systems

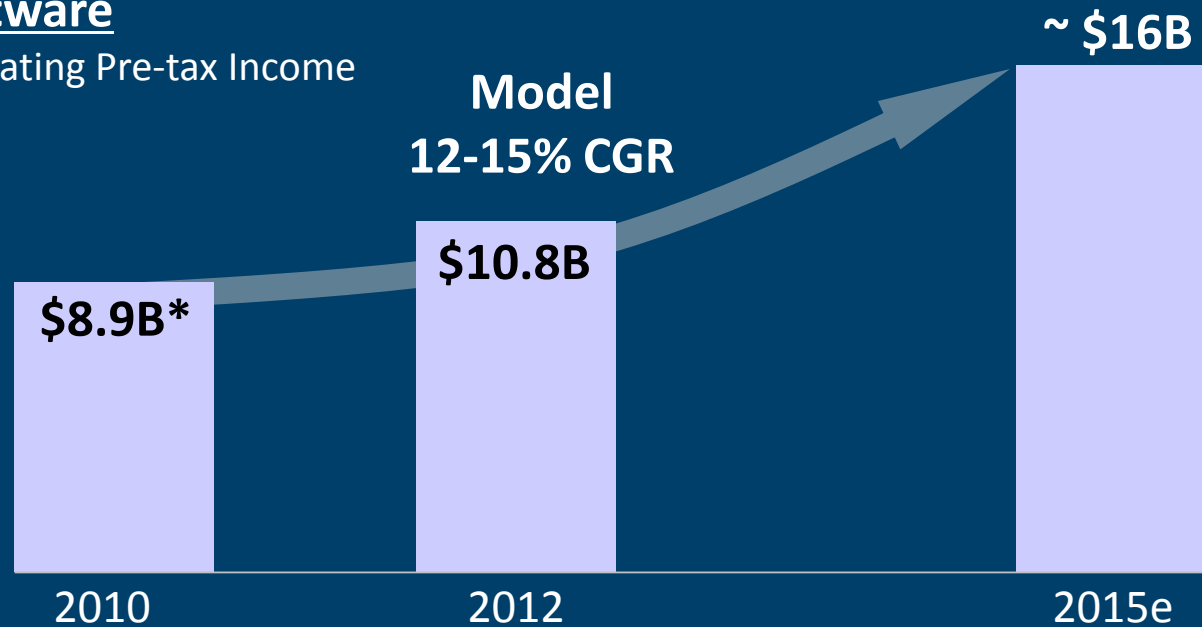
Steve Mills

Senior Vice President and Group Executive,
Software and Systems

Software and Systems

Software

Operating Pre-tax Income



Systems

Operating Pre-tax Income



*Normalized to exclude \$591M PLM Gain

- **Delivering** solutions for evolving IT environments through Smarter Computing
- **Leveraging** “Open” technologies for Software-defined Environment implementation
- **Investing** in Middleware high-growth areas, while increasing focus in industry-integrated Software solutions
- **Driving** client value through expert integrated systems with built-in expertise

**A dollar of high end systems revenue brings
~ \$3 of IBM total revenue**

What Is Driving IT Demand



Systems

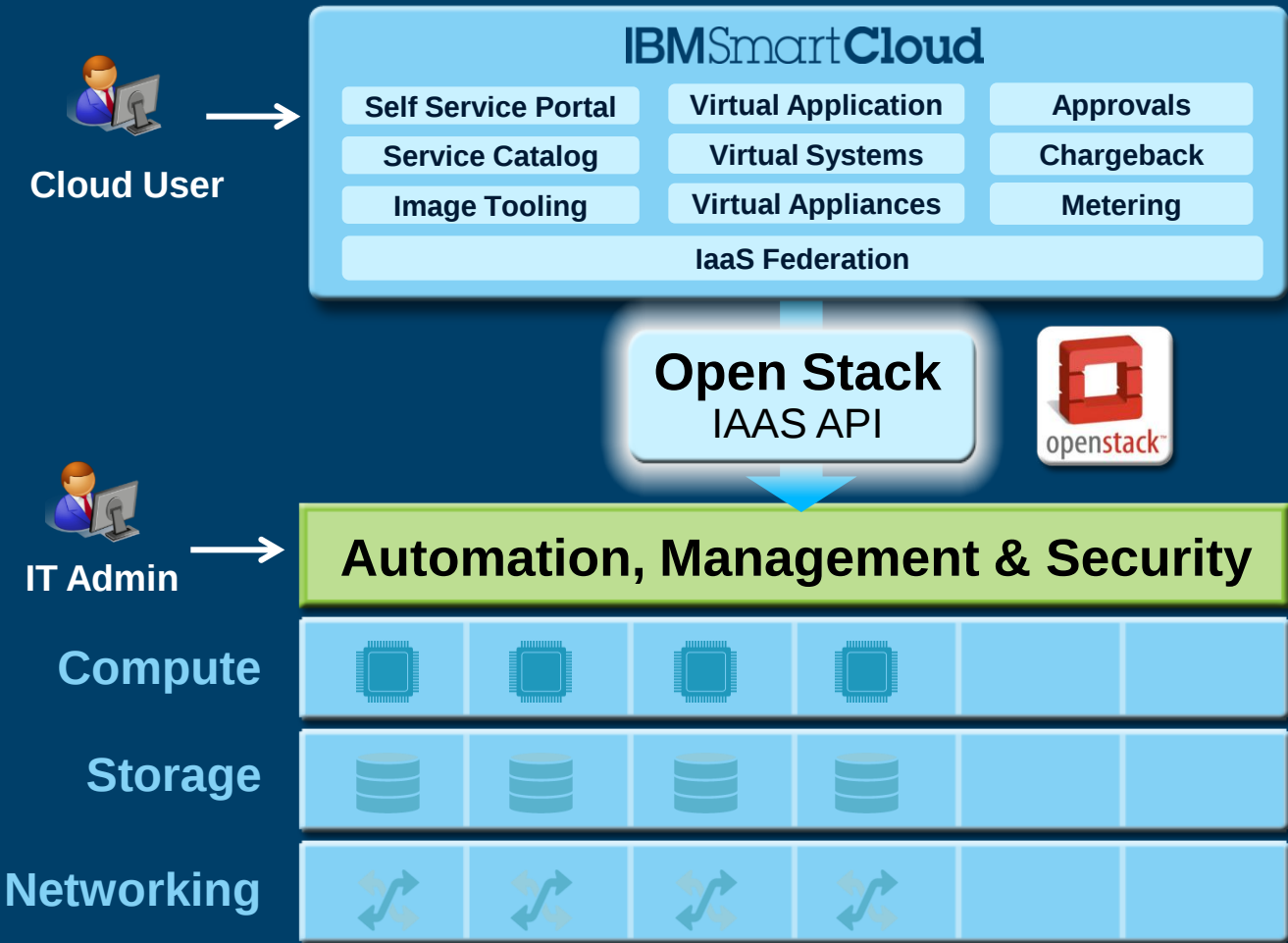
Workload Optimized Systems

System design and configuration matched to workload



Software-defined Environment

Hardware configuration where infrastructure is virtualized and delivered as a service



Software Investment has Shifted to Higher Value Markets

- **Middleware Platforms** that are helping clients manage infrastructure, applications and data



Cloud and
Optimized
Workloads



Big
Data



Mobile
Enterprise



Security
Intelligence

- **Integrated Industry Solutions** that are applying technology to transform front- and back-office processes



Smarter
Analytics



Smarter
Commerce



Social
Business

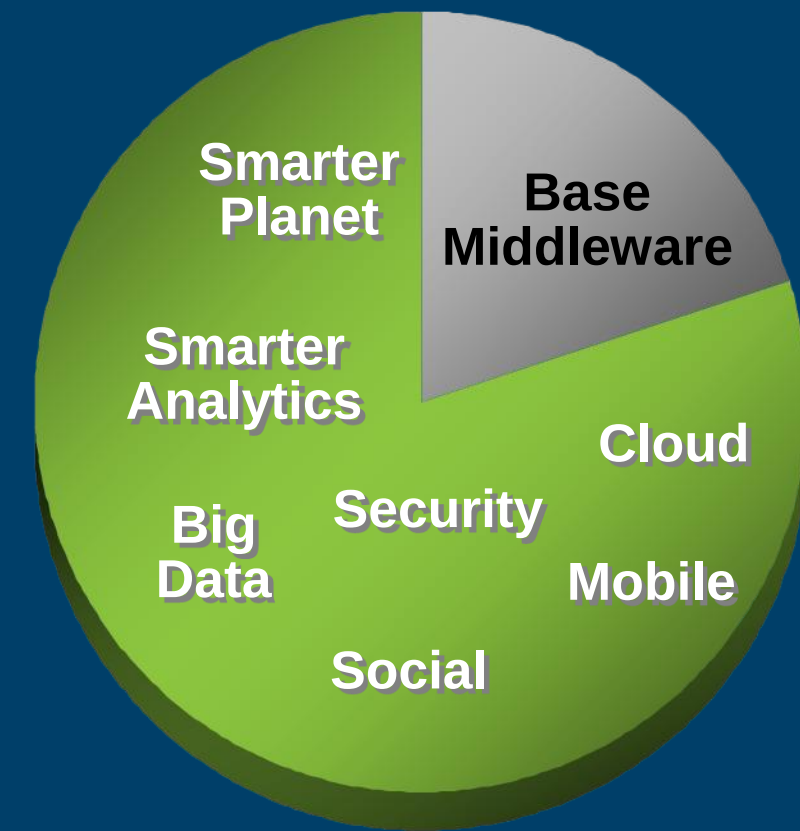


Smarter
Cities



Watson
Solutions

Since 2010, **nearly 80%** of acquisition & development spending has been in growth plays



Software Investment Mix Since 2010

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Integrated Systems: Systems and Technology

Rod Adkins

Senior Vice President,
Systems and Technology Group

Smarter Computing innovation delivered through the combination of organic, acquisitive and partnership investments



Innovation and IT value will be derived from the exploitation of data



IT must be simple, adaptable and optimized



Open collaboration will enable integration, accelerate innovation

Designed for Big Data

Instantaneous access and management of an exponential volume of data of all types

- **Texas Memory Systems**
for flash optimization
- **Power technology**
for analytics and cognitive systems
- **Easy Tier and EasyOptimize**
for smart data and workload placement

Software-defined Environment

Unlimited flexibility and scalability through abstraction of resources

- **Platform Computing**
for cluster and grid management
- **SmartCloud**
for enterprise-class clouds
- **FlexSystem Manager**
for provisioning and orchestration

Open & Collaborative

Long-term investment protection enabled by choice through an open ecosystem

- **OpenStack**
for open source cloud
- **OpenFlow**
for open source networking
- **OpenPower**
for innovation leveraging POWER

Smarter Computing solutions optimized for the evolving IT landscape

2013 enhancements to:

*Extend
the portfolio*



zEC12 Business Class expanded for highly secure, real-time operational analytics



POWER7+ extension to Midrange and Entry for improved data insights, IT efficiency, and security



PureSystems with POWER7+ and integrated MSP solutions for deployment flexibility



Designed for Big Data: TMS integration with DS8000, V7000 and XIV for faster access to data and real-time analytics



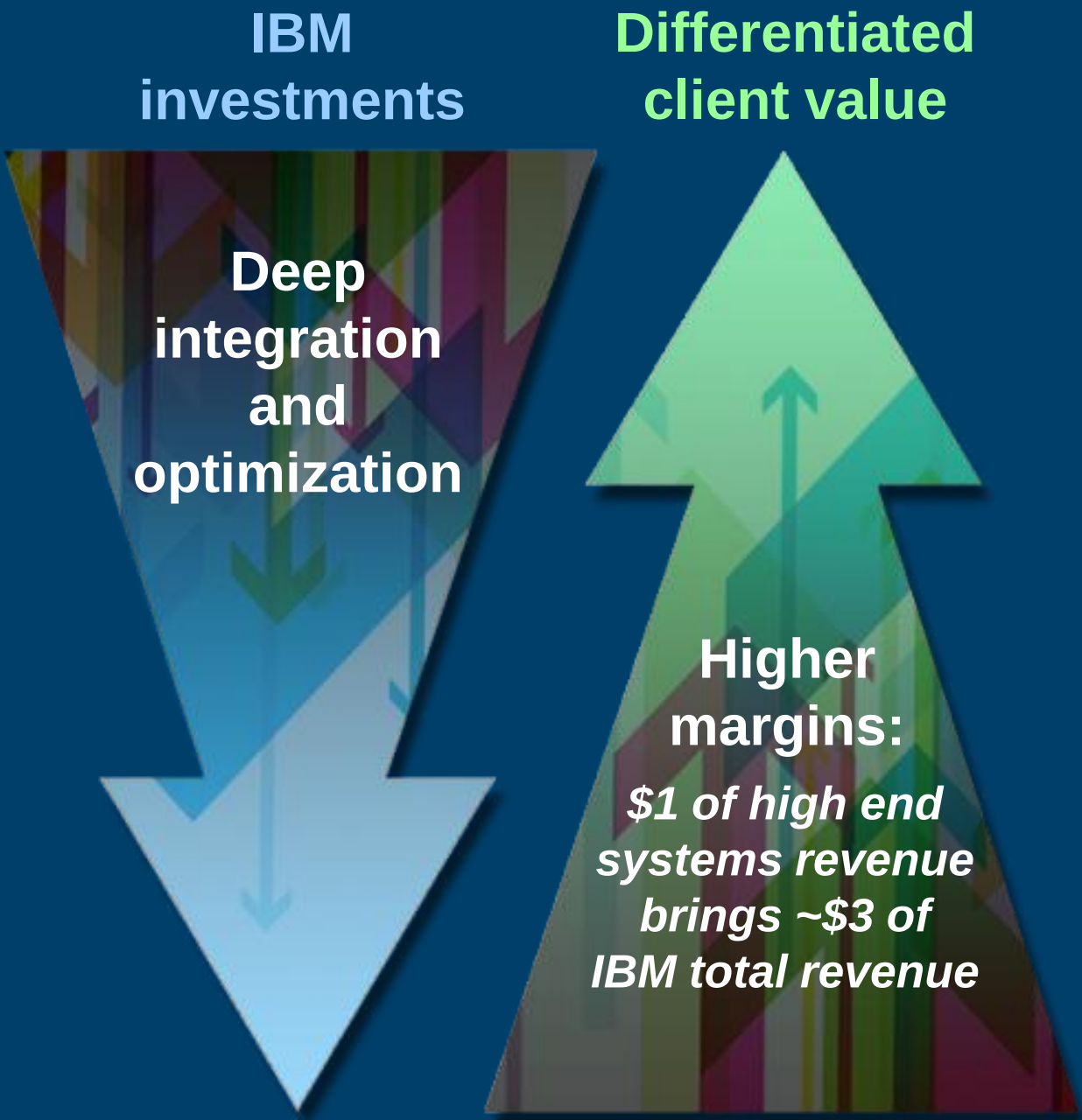
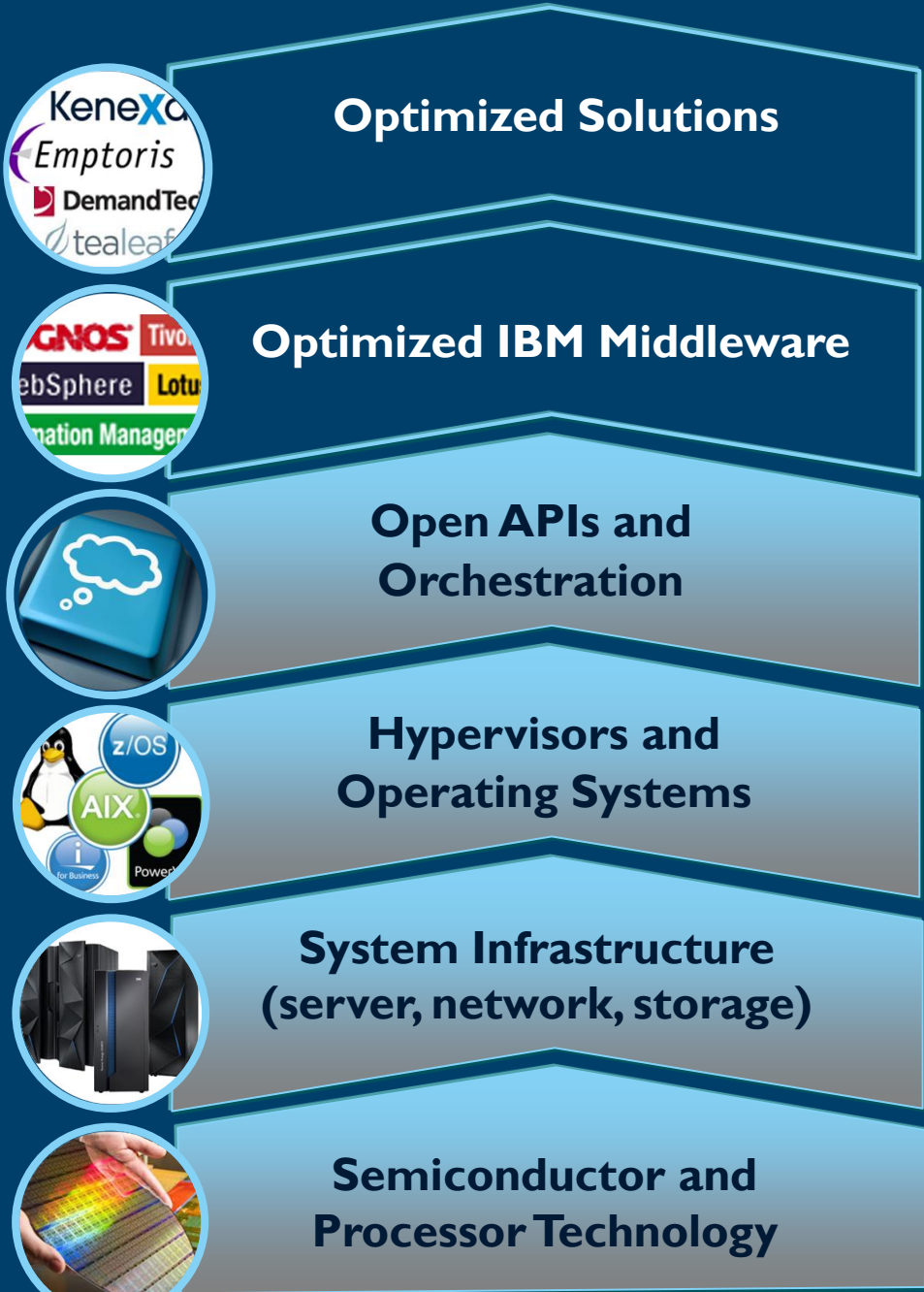
Software-defined Environment: SmartCloud integration of OpenStack with open APIs for broad ecosystem and client customization of workloads



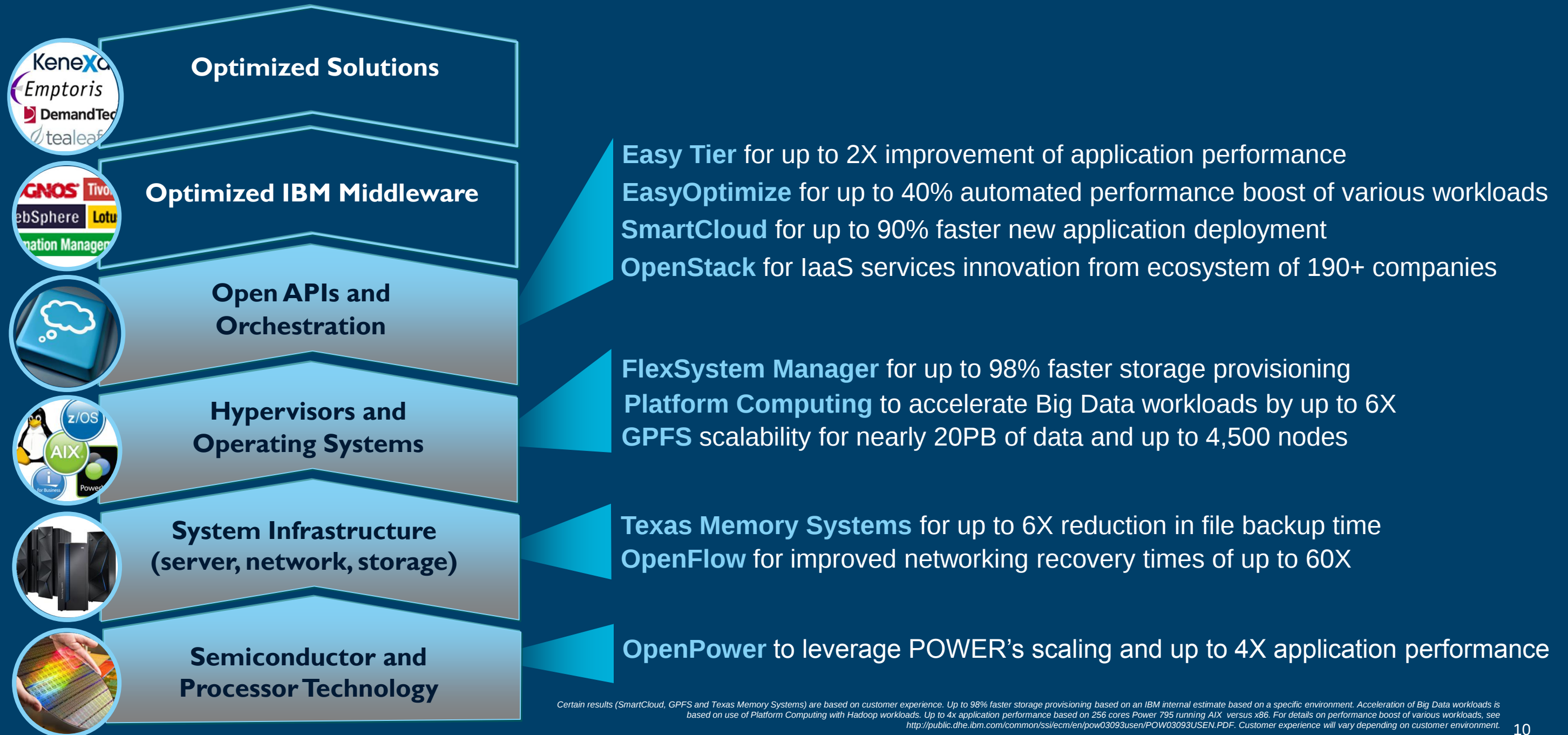
Open & Collaborative: OpenPower for broad industry participation in innovative solutions leveraging POWER architecture

*Deliver on IBM's
point of view*

Smarter Computing stack designed for data-centric workloads and optimized for Software-defined Environments



Smarter Computing stack designed for data-centric workloads and optimized for Software-defined Environments



Delivering client value through continuous investment in innovation



2,555 Systems & Technology **patents** in 2012; more than HP and Oracle combined

#1 in annual worldwide server **revenue share**

181 new accounts since **zEnterprise** launch, with 72 in growth markets

Nearly 1,200 **Power competitive displacements** for over \$1B in 2012

Over 2,300 **PureSystems** sold in more than 70 countries

8 **acquisitions** over last 5 years, including BNT, Platform Computing, TMS

30 **supply chain** analytics projects for operational efficiency

Summary



- Sustained investments driving technology innovation for systems leadership
- Smarter Computing portfolio delivers solutions for evolving IT environments
- Leading in open solutions designed for Big Data and Software-defined Environments for clients' most important workloads

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Integrated Systems: Middleware Software

Robert LeBlanc

Senior Vice President, Middleware Software,
Software Group

IBM Middleware Platforms for the New Era of Computing

Capabilities

- Turn information into insights
- Deepen engagement with customers, partners and employees
- Enable the agile business
- Accelerate product and service innovation
- Deliver enterprise mobility
- Optimize IT and business infrastructure
- Manage risk, security and compliance



Categories



Big Data Analytics



Mobile Enterprise



Security Intelligence



Cloud and Optimized Workloads

Opportunity

\$18B¹

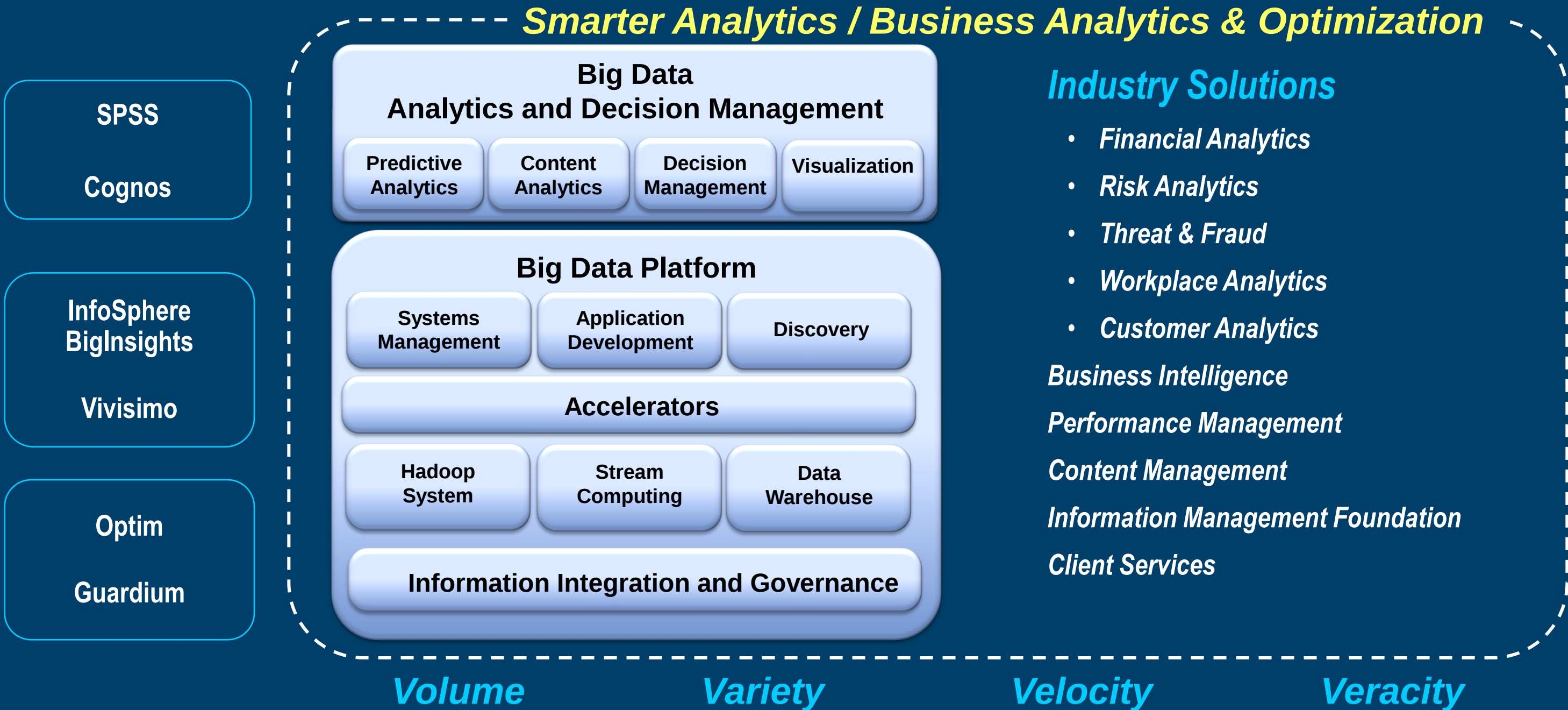
\$36B²

\$38B³

\$73B⁴

1. IDC 2015 Market Opportunity 2. IDC & Other External Sources 2015 Opportunity
3. IDC 2015 Market Opportunity, excluding services 4. IBM internal analysis based on IDC data

IBM's Big Data Portfolio



IBM Big Data Momentum

Big Data Performance Highlights

- **300+ client engagements** resulting in **5 repeatable use cases**
- **50% of prospect pilots converted** into transactions
- Placed in **28 of 30 Gartner Big Data categories**¹
- Named a **Leader in Forrester Wave** report for Predictive Analytics Solutions²
- Working with **100+ schools globally** on big data skills education

Milestones

Feb 2012

Named a Leader in Hadoop (Forrester)



July

Big Data Analytics



Feb 2013

Big Data Discovery



April

Big Data Exploration



Oct

Workload Optimized Solutions for Analytics and Big Data [PureData System]

1. Hype Cycle for Big Data, July 2012 by Gartner
2. Forrester Wave: Big Data Predictive Analytics - Jan 2012

5 Key Big Data Use Cases



Big Data Exploration

Find, visualize, understand all big data to improve business knowledge



Enhanced 360° View of the Customer

Achieve a true unified view, integrating internal and external sources



Security/Intelligence Extension

Lower risk, detect fraud and monitor cyber security in real-time



Operations Analysis

Analyze a variety of machine data for improved business results



Data Warehouse Augmentation

Integrate big data and data warehouse capabilities to increase operational efficiency



Data analysis for Multiple sclerosis research



Connecting B2B buyers & sellers in new ways



Capture & analyze 42TB of daily traffic in real-time



Predict demand, improve system reliability & efficiency



40x+ performance improvement, 20%+ increase in campaign effectiveness

Mobile is Everywhere

Five trends with significant implications for the enterprise

1

Mobile is primary

91% of mobile users keep their device within arm's reach 100% of the time

2

Mobile provides insights unattainable in any other way

75% of mobile shoppers take action after receiving a location-based message

3

Mobile is about transacting

96% year-to-year increase in mobile cyber Monday sales between 2012 and 2011

4

Mobile must create a continuous brand experience

90% of users use multiple screens as channels come together to create integrated experiences

5

Mobile enables the Internet of Things

Global Machine-to-machine connections will increase from 2 billion in 2011 to 18 billion at the end of 2022

Forward-thinking Customers



Air Canada processes mobile passenger check in 80% more cost effectively than those done at the customer service counter



VCC responds to RFPs in minutes vs. days, leading to a 40% increase in new business



Ottawa Hospital provides seamless interactions among care providers, improving quality of care, patient safety & experience

IBM Mobile Momentum

Mobile Performance Highlights

- **1200+ enterprise clients** using IBM Mobile products, services & solutions, **50% of Top Ten US Insurance, 20% of the largest US banks**
- **125+ patents** for wireless inventions in 2012
- **6,000+ mobile experts** deployed globally
- Named a **Leader in Mobile App Design and Managed Services** by Forrester and Gartner¹

Milestones

**Jan 2012**

Cross-platform mobile app development without lock-in

**June**

Mobile user experience instrumentation and analytics

Feb 2013**IBM MobileFirst****March**

Secure device management
[IBM Endpoint Manager]

**Oct**

User access protection from mobile devices
[IBM Security Access Manager for Cloud and Mobile]

1. The Forrester Wave™: Enterprise Mobility Services, Q1 2013, Forrester Research, Inc., February 15, 2013.
Magic Quadrant for Global Digital Marketing Agencies, October 2012 by Gartner

IBM MobileFirst Portfolio

IBM Worklight

IBM Rational Test Workbench

IBM Endpoint Manager

IBM Enterprise Managed Services



IBM Security Access Manager

IBM Security AppScan

Tealeaf

Partnerships:

AT&T

Nokia Siemens

Designing for mobile is different. IBM brings industry experience, design, infrastructure, and implementation expertise



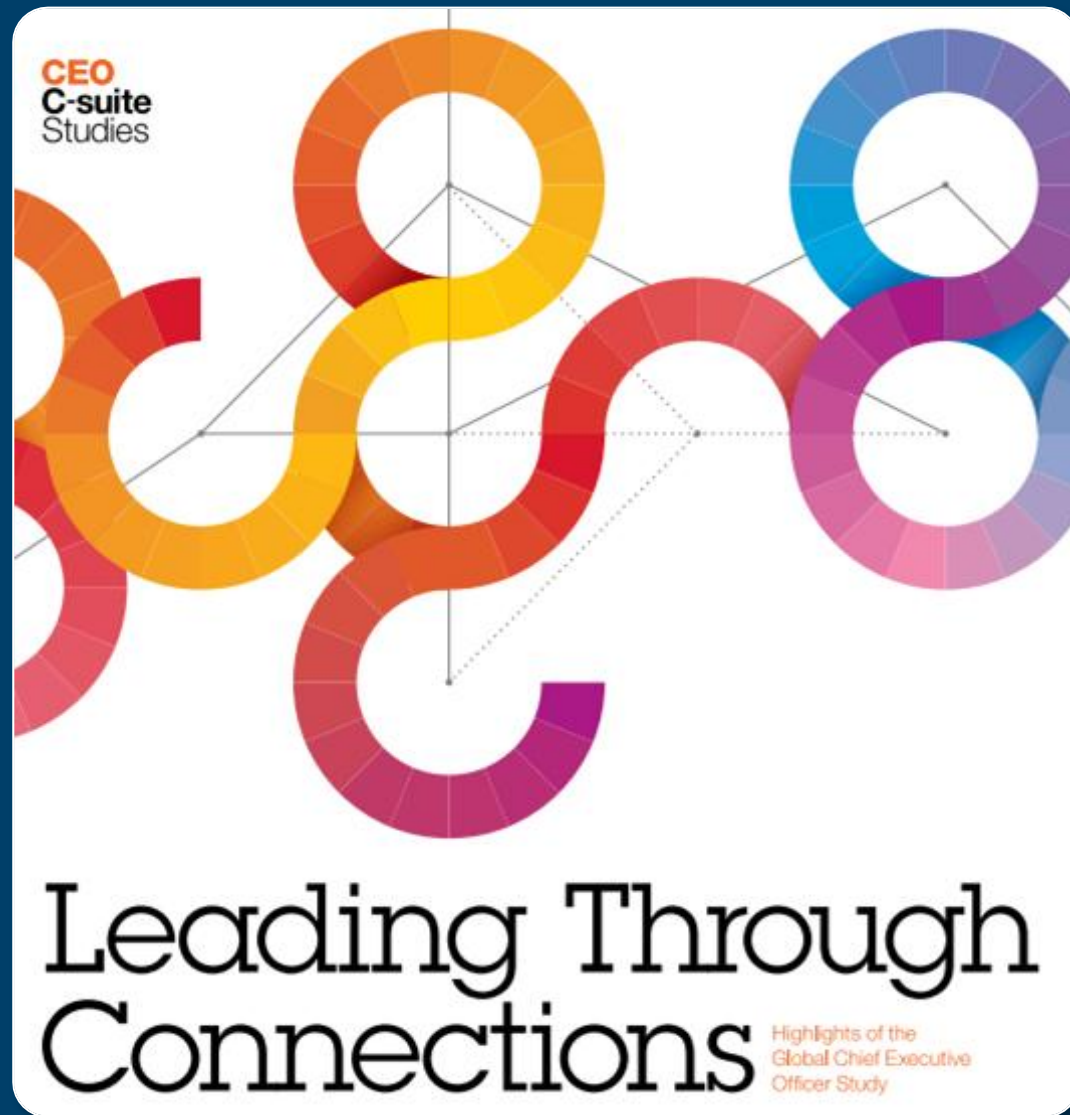
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Integrated Systems: Software Solutions

Mike Rhodin

Senior Vice President, Software Solutions,
Software Group

Clients face tough challenges in a new era of computing



“...we need better information and insight, but what we need most is the **capability to act on it.**”

Unit Head, Government, Hong Kong

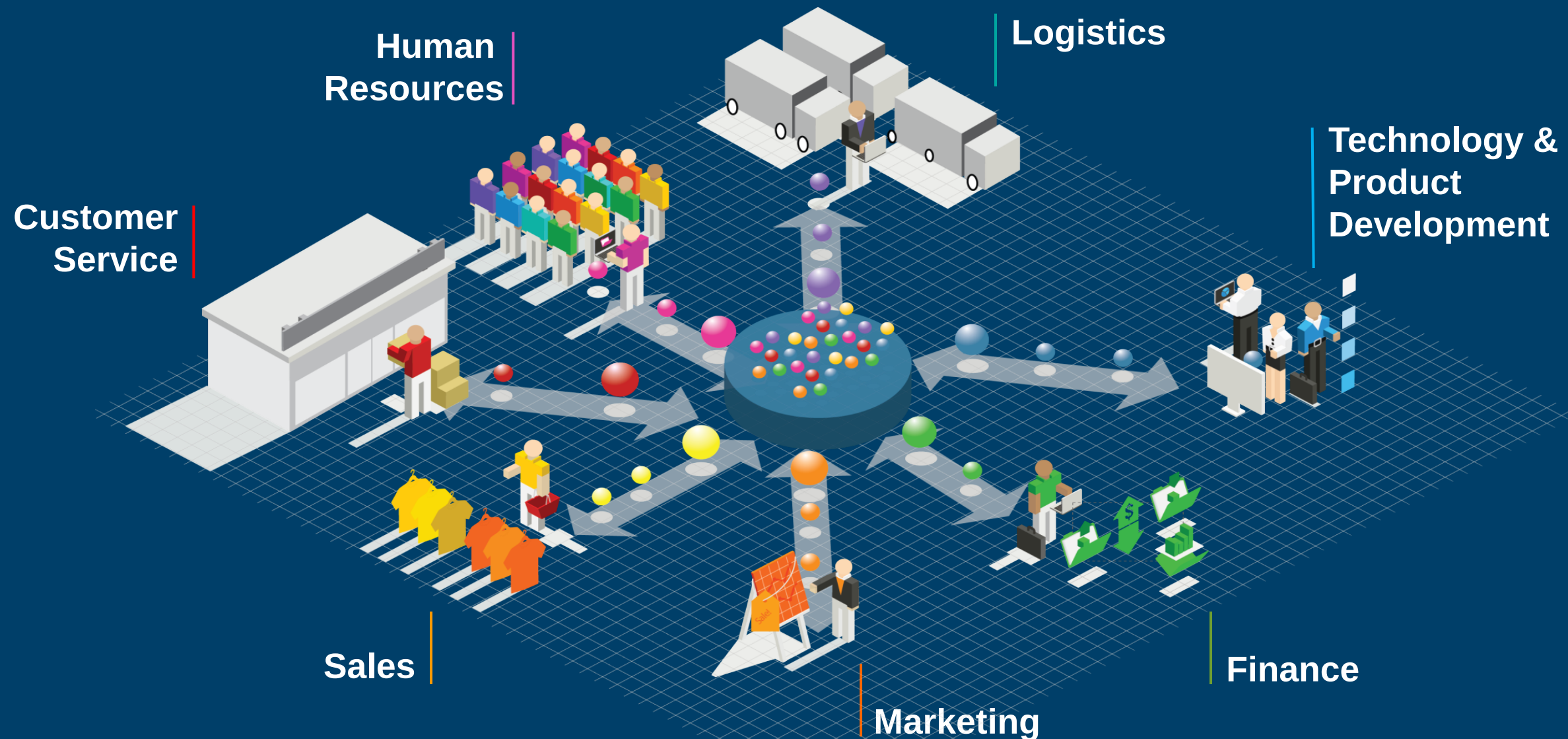
“... the time available to capture, interpret and act on information is **getting shorter and shorter.**”

CEO, Chemicals and Petroleum, United States

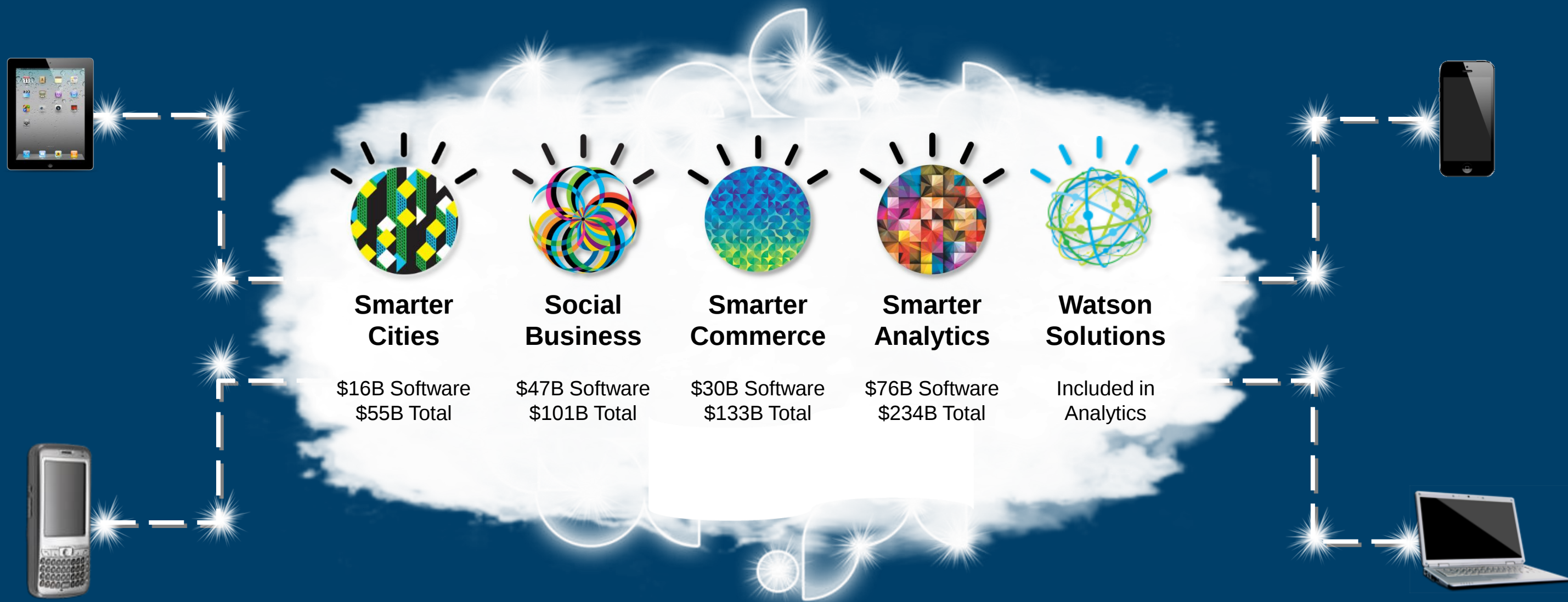
“... but how do you **unleash the innovative power of the people** who deal with customers every day?”

CEO, Insurance, United Kingdom

We're weaving intelligence into the fabric of organizational processes to help clients build smarter businesses



Making new markets at the intersection of social, commerce and analytics . . . *delivered via cloud and mobile*



Capturing the cross-IBM analytics opportunity

Acquisitions
Launches
Performance

Initiate, NISC, Clarity,
Coremetrics, Unica
Datacap, Open Pages,
PSS & Netezza

Q1 Labs, i2
& Algorithmics

DemandTec,
Tealeaf, Vivisimo,
Emptoris & Varicent

StoredIQ &
Star Analytics
(announced)



Cognos 10 with
integrated mobile &
social analytics

Big data, network
intelligence, enterprise
analytics systems

Signature solutions,
decision management,
PureSystems, PureData

Security intelligence
for big data, Watson
commercialization

**IBM introduces
2015 Road Map**

**15% increase in
FY10 revenue**

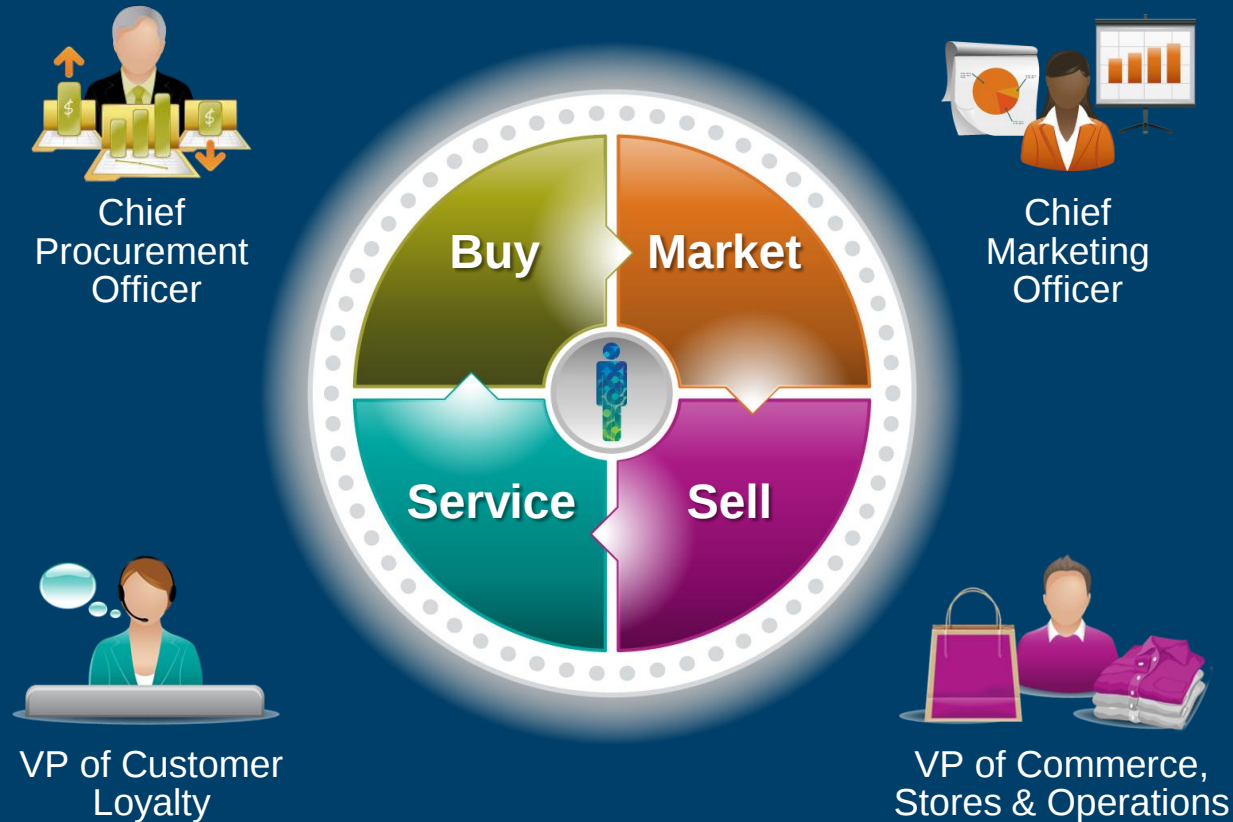
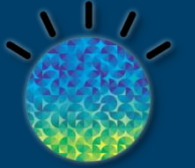
**16% increase in
FY11 revenue**

**13% increase in
FY12 revenue**

**Grows to a
\$20B IBM
Business**
(up from \$16B
previously)



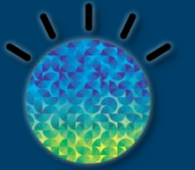
A smarter approach to the entire commerce cycle



- Maximizes opportunities by targeting new buyers at each stage of the commerce cycle
- Complements organic portfolio with **more than \$3B invested** since 2010 in acquisitions to add new client-focused capabilities
- Doubled GBS practice to **2,000 dedicated consultants** across the globe
- New client capabilities added in 2012:
 - Emptoris for procurement
 - DemandTec for pricing & promotion
 - Tealeaf for customer experience



Cloud is the primary vehicle for Smarter Commerce



>60,000 users

of IBM digital marketing tools
send 130M+ emails per month

300,000+

global trading entities
connected for IBM clients

50+

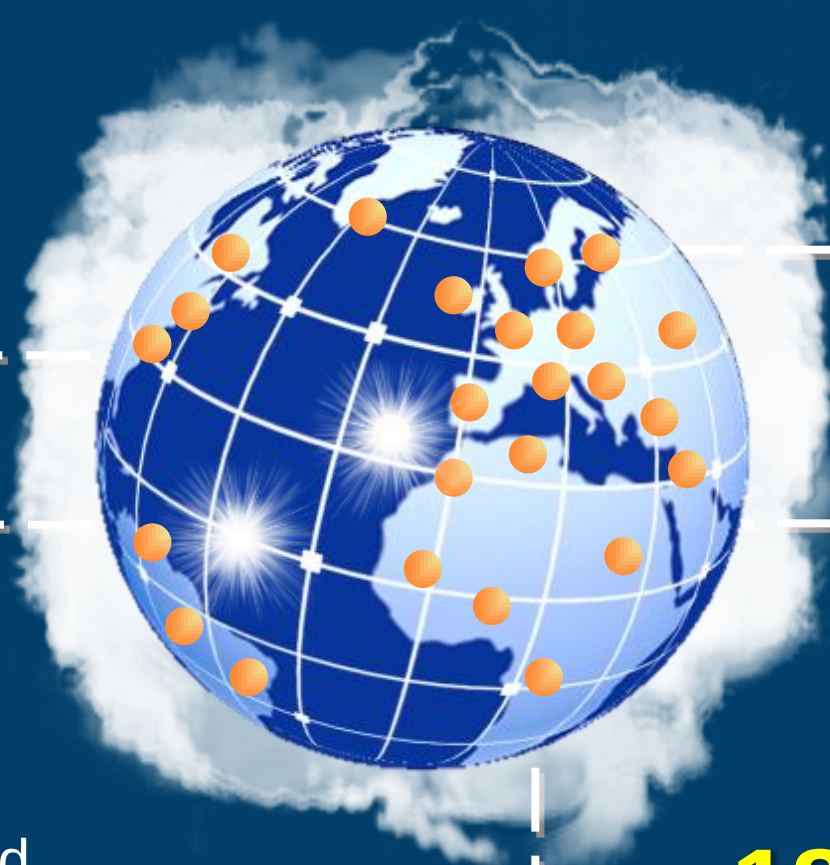
SaaS offerings
(100+ total across IBM
software portfolio)

4.5 million

daily transactions exchanged
via IBM B2B cloud

180+ million

IBM client transaction
events every year



Re-thinking people-centric processes, inside and out



Social Networking + Social Content + Social Analytics



- IBM Social Business enables clients to fundamentally **transform the front office**
- Integrates capabilities across mobile, big data, analytics, content, security, compliance & more
- Recognized **leader in enterprise social platforms** for third consecutive year (IDC)
- Kenexa unlocks a new client conversation about **building a smarter workforce**
- New client capabilities added in 2012:
 - Kenexa for smarter workforce
 - StoredIQ for safe data disposal

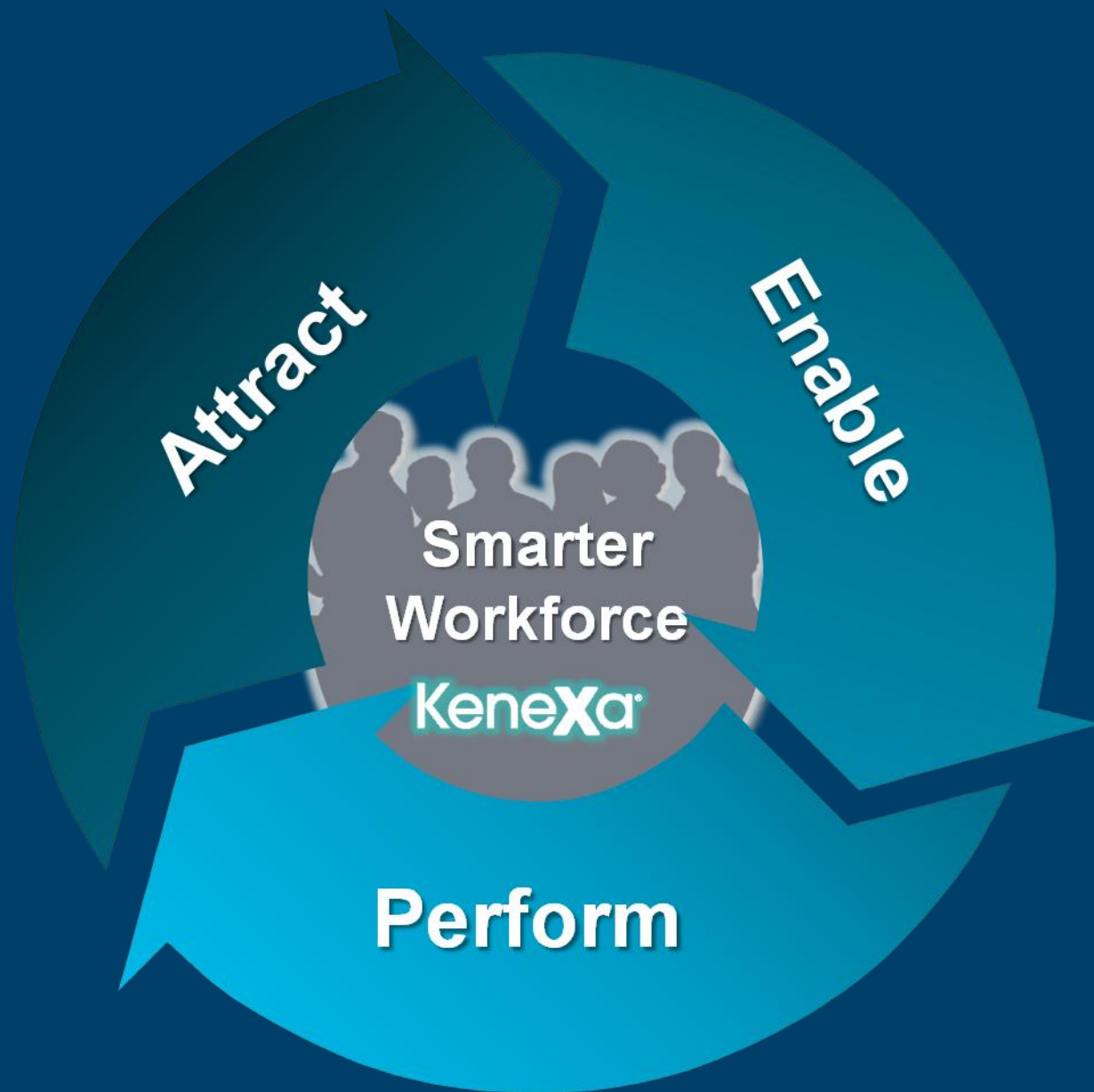


Kenexa®

StoredIQ



Helping clients build a smarter workforce



Attract & Recruit

Attract and recruit top talent, source the best people for the culture and business needs - the first time

Enable & Empower

Enable employees to hit the ground running with the right tools, connections and expertise

Engage & Perform

Engage teams to collaborate and innovate, cultivate new leaders, build loyalty and perform with precision

The roadmap to deliver IBM Watson at scale

Meeting client demand for next generation cognitive systems



Establish

High Value

Watson Healthcare Advisors

- Transforms patient diagnosis, treatment, engagements and outcomes
- Introduced first commercial offerings:
 - ✓ Interactive Care Insights for Oncology
 - ✓ WellPoint Interactive Care Guide and Interactive Care Reviewer



Extend

High Volume

Watson Client Engagement Advisors

- Deliver superior client experiences across high volume engagements
- Enable each engagement to deliver better informed recommendations
- Initial focus on healthcare, financial services and telecommunications

Embed

Synergy

Watson Integration Across the Portfolio

- Leverage synergies across IBM's entire Smarter Planet portfolio
- Initial focus on key growth areas including Social Business, Smarter Cities, Smarter Commerce, Smarter Care and Smarter Workforce

Delivering the Platform at Scale

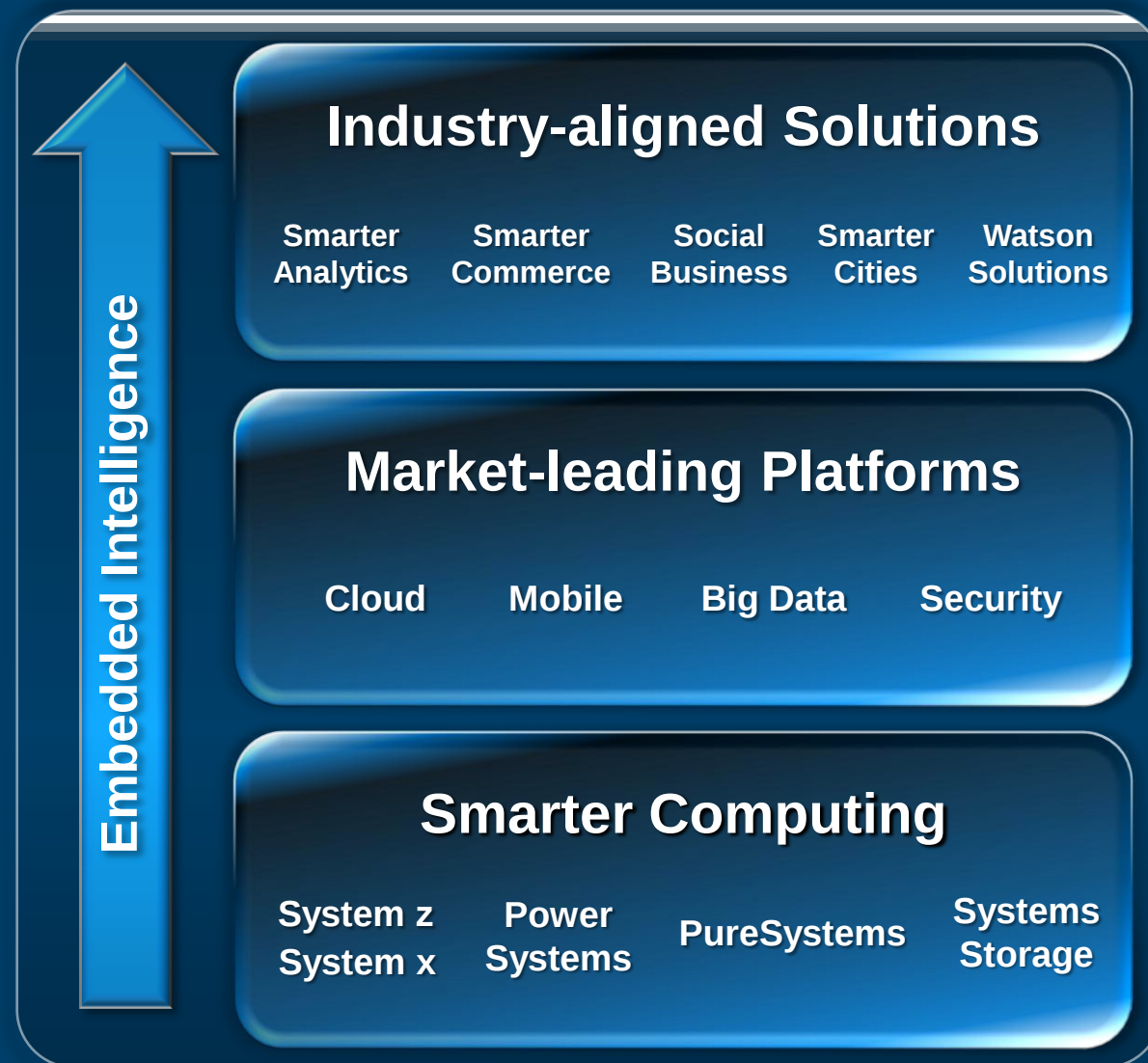
High Scale

- Scalable, higher throughput model that's 2.5x faster and 1/4th the original size
- Improved, easier to use tool set and learning models being delivered in future versions
- Able to run on a single server and be deployed as an appliance or via Cloud



Integrated Systems Summary

Winning with clients in a new era of computing



- Lead the evolution of Software Defined Environments with Big Data solutions optimized by client workload
- Invest in core capabilities to build the next generation platforms required to succeed in a new era of computing
- Build and lead high-value markets with solutions that help new types of IT buyers drive specific business outcomes
- Deliver exceptional client experiences that distinguish and distance IBM from its competitors

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

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), 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 supplemental materials entitled "Non-GAAP Supplemental Materials" that are linked to the company's investor relations web site at <http://www.ibm.com/investor/events/investor0213.phtml>. The Non-GAAP Supplemental Materials are also included as Attachment II to the company's Forms 8-K dated January 22, 2013 and February 28, 2013.

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