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 they are intended to be presented and understood together. Information regarding the Company's financial roadmap including interim periods, 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 Supplemental Materials”) to the Company’s Form 8-Ks dated January 22, 2013, February 28, 2013 and April 18, 2013.
Agenda

- Market Dynamics and Strategy
- Generating Higher Value
- 2015 Roadmap
IBM’s strategy of innovation, reinvention and higher value...

...enables us to lead in the new era of computing, engage with new clients, and work more effectively and efficiently.

**BELIEFS**
- **New Era of Computing**
  - New era solutions
  - New era middleware
  - New era infrastructure

- **New Buyers, New Markets**
  - CMOs, CHROs, CFOs, City Leaders
  - Smarter Industries & Cities
  - Growth Markets

- **New Ways of Working**
  - Expertise
  - Innovation
  - Client-centric

**STRATEGY**
- Deliver innovation with industry-leading high-value solutions and expertise that improve client and industry outcomes.
- Help enterprise clients apply innovation and technology to capture value across the organization, including the front office.
- Manage a smarter, social enterprise, with a highly engaged and skilled global workforce and ecosystem of partners, to provide a world-class experience.

**GROWTH OPPORTUNITIES**
- Smarter Planet
- Business Analytics
- Cloud Computing
- Growth Markets

**PURPOSE:** To be essential – to our clients, partners, investors, communities, and one another.
This new era of computing is reshaping the IT landscape and creating new market dynamics.
IBM is addressing the new era of computing…

…with a full suite of systems, software, services, and research, combined with deep industry insight.
We are reaching new buyers and making new markets …

…by helping enterprise clients capture value across their entire organizations
IBM’s model is one of continuous transformation

“If an organization is to meet the challenges of a changing world, it must be prepared to change everything about itself…except its core beliefs.” – Thomas Watson Jr., 1962

<table>
<thead>
<tr>
<th>1</th>
<th>We remix to higher value</th>
<th>Remix research and development, acquire new capabilities, and divest non-strategic assets.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>We continuously make new markets</td>
<td>Create new markets by category, by geography, and with new clients.</td>
</tr>
<tr>
<td>3</td>
<td>We reinvent core franchises</td>
<td>Transform capabilities such as System z enterprise server, WebSphere, and technology services.</td>
</tr>
<tr>
<td>4</td>
<td>We remix our skills and expertise</td>
<td>Enhance and align skills most valued by clients and deepen industry insights.</td>
</tr>
<tr>
<td>5</td>
<td>We reinvent the enterprise itself</td>
<td>Drive global integration and deploy a smarter, social enterprise for greater value and productivity.</td>
</tr>
</tbody>
</table>
Agenda

- Market Dynamics and Strategy
- Generating Higher Value
- 2015 Roadmap
Generating Higher Value at IBM

IBM is an innovation company. We pursue continuous transformation both in what we do and how we do it—always remixing to higher value in our offerings and skills, in our operations and management practices, and in the transformational capabilities we deliver to our clients.
1. We continuously change our business mix toward higher-value, more profitable technologies and market opportunities.

**About 50% of IBM segment profit expected to come from Software by 2015.**

<table>
<thead>
<tr>
<th></th>
<th>2000**</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment PTI</td>
<td>35%</td>
<td>14%</td>
</tr>
<tr>
<td>Hardware/Financing</td>
<td>38%</td>
<td>41%</td>
</tr>
<tr>
<td>Services</td>
<td>27%</td>
<td>45%</td>
</tr>
<tr>
<td>Software</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Segment Pre-tax Income**

*($ in billions)*

<table>
<thead>
<tr>
<th></th>
<th>2000**</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware/Financing</td>
<td>3.3</td>
<td>9.9</td>
</tr>
<tr>
<td>Services</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>2.6</td>
<td>10.8</td>
</tr>
</tbody>
</table>

*Sum of external segment pre-tax income not equal to IBM pre-tax income.*

**Excludes Enterprise Investments and not restated for stock-based compensation. 2000 Segment PTI is reclassified to conform with 2012 presentation.*
2. We have become a globally integrated enterprise to capture new growth and productivity.

- Global scale and expertise
  - Operations in more than 170 countries

- Globally integrated model
  - Focus resources on client-oriented work
  - Rapid deployment of IBM capabilities
  - Deliver enterprise productivity savings while improving quality

- Rapid geographic expansion
  - 144 new branch offices in 2012
  - Growth markets delivered >60 percent of geographic gross profit growth between 2010 and 2012.

Growth Markets Share of Geographic Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>24%</td>
</tr>
<tr>
<td>2011</td>
<td>22%</td>
</tr>
<tr>
<td>2010</td>
<td>21%</td>
</tr>
<tr>
<td>2009</td>
<td>19%</td>
</tr>
<tr>
<td>2000*</td>
<td>11%</td>
</tr>
</tbody>
</table>

* Excluding divested businesses of PCs and printers.

**Approaching 30% of geographic revenue from growth markets by 2015.**
3. By aligning our business model with our clients’ needs, we achieve our financial goals.

- 2012 Operating PTI margin 22.2%, 12 points higher than in 2000
  - Shift to higher-value areas
  - Improved productivity

- Increased R&D investment
  - $75 billion in R&D spend since 2000
  - 20 consecutive years of U.S. patent leadership

- Consistently strong free cash flow
  - 2012 free cash flow of $18.2 billion, $12 billion higher than a decade ago

Free Cash Flow and Operating PTI Margin* ($ in billions)

*Excludes acquisition-related and non operating retirement-related charges
4. This allows us to invest in future sources of growth and provide strong returns to our shareholders.

- **Acquisitions**
  - >140 acquisitions since the beginning of 2000
  - Expect $20 billion in acquisition spend over the 2015 Roadmap

- **Capital Expenditures**
  - >$55 billion since 2000 to advance our capabilities

- **Share Repurchase and Dividends**
  - ~$150 billion returned to shareholders since 2000
  - Return $70 billion over the 2015 Roadmap:
    $50 billion through gross share repurchases and $20 billion in dividends

**Primary Uses of Cash Since the Beginning of 2000 ($ in billions)**

- Acquisitions: $123 billion
- Capital expenditures: $55 billion
- Dividends: $26 billion
- Share repurchases (gross): $33 billion

$70 billion expected to be returned to shareholders through 2015.
5. This delivers long-term value and performance for all key IBM stakeholders — investors, clients, employees and society.

Key 2015 Road Map Objectives:

- Software becomes about half of segment profit
- Growth markets approach 30 percent of geographic revenue
- Generate $8 billion in productivity through enterprise transformation
- Return $70 billion to shareholders
- Invest $20 billion in acquisitions

Key Drivers for 2015 Road Map

Revenue Growth
A combination of base revenue growth, a shift to faster growing businesses and strategic acquisitions.

Operating Leverage
A shift to higher-margin businesses and enterprise productivity derived from global integration and process efficiencies.

Share Repurchase
Leveraging our strong cash generation to return value to shareholders by reducing Shares outstanding.

At Least $20 Operating EPS*

* Excludes acquisition-related and non operating retirement-related charges.
** 2000 and 2001 exclude Enterprise Investments and not restated for stock-based compensation. Sum of external segment pre-tax income not equal to IBM pre-tax income.
Agenda

- Market Dynamics and Strategy
- Generating Higher Value
- 2015 Roadmap
IBM’s 2015 Roadmap: at least $20 of Operating EPS

- **Base revenue growth** ~2% excluding divestitures
- **Shift to faster growing business mix** provides ~1% revenue growth
- **~$20B of acquisition spend** provides ~2% revenue growth
- **Enterprise Productivity** yields margin expansion
- **Shift to a higher value portfolio** continues to provide leverage
- **~$50B returned through share repurchase**

**Revenue Growth**

- **~$3.05**

**Operating Leverage**

- **~$2.50**

**2010 Operating EPS**

- $11.67

**2015 Operating EPS**

- At Least $20

* 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…

**Smarter Planet**
Contributes ~$7B of growth over Roadmap

**Growth Markets**
Approaches 30% of IBM’s geographic revenue by 2015

**Business Analytics**
Contributes ~$10B of growth over Roadmap - up from $6B previously

**Cloud**
Contributes ~$7B of revenue, of which ~$3B is incremental growth

---

- **Share Repurchase**
- **Operating Leverage**
- **Revenue Growth** ~$3.05
- **$11.67** 2015 Operating EPS
... and contribute $20B of revenue growth through 2015

2010* Revenue from Key Initiatives

Growth Markets
Business Analytics
Smarter Planet
Incremental Cloud

2015 Revenue from Key Initiatives

*Adjusted for scope added in 2012

Double-digit yr/yr growth

Operating EPS

Share Repurchase
Operating Leverage
Revenue Growth
~$3.05
~$11.67

~$17B
~$10B
~$7B
~$3B
~$0.4B
~$4B

~$3B
~$0.4B

~$9B

2010
2012
Our acquisitions are aligned to key themes …

### Acquisitions closed/announced 2010 - 2012 ($12B spend)

<table>
<thead>
<tr>
<th>Servers, Networking &amp; Storage Optimization</th>
<th>Cloud</th>
<th>Smarter Planet</th>
<th>Business Intelligence &amp; Data Analytics</th>
<th>Governance, Risk, Compliance &amp; Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platform Computing</td>
<td>Worklight</td>
<td>Intelliden</td>
<td>Netezza</td>
<td>OpenPages</td>
</tr>
<tr>
<td>Storwize</td>
<td>CAST IRON SYSTEMS</td>
<td></td>
<td>VARICENT</td>
<td>Algorithmics</td>
</tr>
<tr>
<td>Blade Network Technologies</td>
<td>GREENHAT</td>
<td></td>
<td>STARANALYTICS</td>
<td></td>
</tr>
<tr>
<td>Butterfish</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Complements Organic Assets

- IBM Hardware Portfolio
  - PureSystems
- IBM Hardware Portfolio
  - WebSphere
- GTS Service Delivery
- Industry Solutions Frameworks
  - WebSphere Commerce
  - i2
  - Cúram Software
  - Tealeaf
- GBS Offerings
  - Tivoli software
  - Rational software
  - Information Management
  - GBS BAO Service Line
  - 8 Analytics Solution Centers

### Key Metrics

<table>
<thead>
<tr>
<th>2015 Operating EPS</th>
<th>Share Repurchase</th>
<th>Operating Leverage</th>
<th>Revenue Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>$11.67</td>
<td></td>
<td></td>
<td>~$3.05</td>
</tr>
</tbody>
</table>
... and we are on track to our acquisition EPS objectives

**Acquisition Operating PTI**

- Acquisitions closed since beginning of 2010 generated ~$1B of profit since inception

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

- 27 of the 33 acquisitions closed by the end of 2012 are exceeding their profit business cases
IBM expands margins through a shift to higher value …

- **Operating Pre-tax Income**
  - **Mix**
  - **Margin**
  - 2000**: Mix 27% @ 19%, 38% @ 10%, 35% @ 8% Margin 40% @ 28%, 37% @ 10%, 23% @ 12%
  - **2006**: Mix 15%
  - **2012**: Mix 22%, Margin 45% @ 38%, 41% @ 16%, 14% @ 15%
  - **2015e**: Mix ~50%, ~40%, ~10%

- **Operating EPS**: ~$3.05
- **Revenue Growth**: ~$3.05
- **Operating Leverage**: ~$2.50
- **Share Repurchase**: $11.67

* Sum of operating segment pre-tax income not equal to IBM operating pre-tax income
** Stock-based compensation expense was not recorded at the segment level and excludes Enterprise Investments
... and enterprise productivity savings of $8 billion
Our strong cash generation supports investments and shareholder returns

2011 - 2015:
- Generate $90B - $100B of Free Cash Flow
- Return $70B to shareholders through gross share repurchases and dividends
- Spend $20B in acquisitions
- $30B - $40B of Financial Flexibility

Free Cash Flow* $B

Primary Cash Uses $B

Gross Share Repurchase $27
Capital $8
Dividends $7
Acquisitions $6

* Excluding GF Receivables

Share Repurchase ~$2.80
Operating Leverage ~$2.50
Revenue Growth ~$3.06

5.9 8.7 9.1 9.6 10.5 12.4 14.3 15.1 16.3 16.6 18.2

$11.67

2015 Operating EPS
Our performance through 2012 puts us on track to our 2015 objective

Operating EPS*  

$11.67  

14% CAGR  

$15.25  

2010 - 2012 Results

Revenue

Continued strong growth across key initiatives
- Growth Markets +10% CAGR
- Smarter Planet >25% CAGR
- Business Analytics +14% CAGR
- Cloud ~7x 2010 revenue

Strong acquisition performance

Operating Leverage

Margin expansion driven by continued business mix shift to higher value areas, Enterprise Productivity savings and operational improvements

Cash & Shareholder Return

Generated $35 billion in free cash flow and returned $34 billion to shareholders through gross share repurchase and dividends in 2011 and 2012

2010-15
11% CAGR

“At Least” $20

2010 - 2012 Results

* Non-GAAP: Excludes acquisition-related charges and non-operating retirement-related expense
2015 Roadmap through 2012

- Base revenue growth ~2% excluding divestitures
- Shift to faster growing business mix provides ~1% revenue growth
- ~$20B of acquisition spend provides ~2% revenue growth
- Enterprise Productivity yields margin expansion
- Shift to a higher value portfolio continues to provide leverage
- ~$50B returned through share repurchase

Revenue Growth
- ~$3.05

Operating Leverage
- ~$2.50

Revenue Mix
- Enterprise Productivity

Margin Mix
- Shares

‘10-'12 Performance: $0.59

Revenue Growth

2010 Operating EPS*: $11.67

2015 Operating EPS*: $15.25

2010 Operating EPS*: $3.58

"At Least" $20

+$4.75 to go

*$ Non-GAAP: Excludes acquisition-related charges and non-operating retirement-related expense

Assumes current tax policy and Non-GAAP tax rate of 25%
IBM’s transformation continues in the 2015 Roadmap

Operating PTI / EPS*

- Segment Operating PTI$
- Operating EPS

2015 Objectives

- Software contributes about half of our segment profit
- Growth initiatives deliver >$20B in revenue growth
- Growth markets revenue approaches 30% of IBM’s total geographic revenue
- Enterprise productivity delivers $8B in gross savings
- IBM returns $70B to shareholders over the roadmap

* Non-GAAP: Excludes Acquisition-related charges and non-operating retirement-related expense

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