Global Sales and Distribution

Ginni Rometty
Senior Vice President, Global Sales and Distribution

Bruno Di Leo
General Manager, Growth Markets
Sales and Distribution

Objectives

- Drive Profitable Revenue Growth in 170 Global Markets
- Identify and Target Strategic Growth Initiatives
- Build Industry’s Pre-eminent Sales Force Based on Industry Skills
- Build Ecosystem of Partners, Influencers and Policy Makers

Key Growth Strategies

- Smarter Planet
- Growth Markets
- Business Analytics
- Cloud Computing

Enable Revenue Growth of at Least 5% in the 2015 Roadmap Through Key Growth Strategies
Smarter Planet
Expect Revenue to reach $10 billion by 2015 – 25% CAGR

Investments
- Repeatable asset-based solutions
- Specialized industry skills
- Research
- Analytics centers
- Workload-optimized Systems
- Cloud Computing

Opportunity for Growth
- Accelerated Growth in Priority Industries
  - Client productivity
  - Client Growth Agendas
- Margin Growth via Repeatable Industry Frameworks
## New Normal – Driving Productivity and Growth

<table>
<thead>
<tr>
<th>Industry</th>
<th>Market CGR*</th>
<th>Productivity</th>
<th>Growth</th>
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<tbody>
<tr>
<td>Healthcare</td>
<td>5.4%</td>
<td>Administration</td>
<td>Collaborative Care</td>
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<td>Biofuels</td>
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<td>4.4%</td>
<td>Outages</td>
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<td>3.9%</td>
<td>Gridlock</td>
<td>Dynamic Tolling</td>
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<td>Telecommunications</td>
<td>4.6%</td>
<td>Single Customer View</td>
<td>Mobile Broadband</td>
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<tr>
<td>Retail</td>
<td>4.0%</td>
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<td>4.3%</td>
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<td>Government</td>
<td>4.0%</td>
<td>Crime Management</td>
<td>Smarter Cities</td>
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<td>3.5%</td>
<td>Development Cycle Time</td>
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* CGR 2009 through 2015, Source IBM Market Intelligence
What Distinguishes IBM

Client Value

- Industry Thought Leadership/Business Consulting
- Cloud Computing
- Workload Optimized Systems
- Industry Frameworks/Software
- Analytics
- Coalition/Standards
- R&D
Healthcare

Electronic Patient Records

Collaborative Care

Analytics-Based Clinical Decision Support

Cloud-Based Delivery System
What Distinguishes IBM in Healthcare

Client Value

Industry Thought Leadership/Business Consulting

Cloud Computing

Workload Optimized Systems

Industry Frameworks/Software

Analytics

R&D

Coalition/Standards

GBS - Electronic Medical Records

Healthlink

60 MDs

GBS - Medical Home

Policy for 10 healthcare networks

Patient Centered Primary Care Collaborative

Healthcare Solutions Lab

DNA Transistor

Lab-on-a-chip

600 Patents

Blue Gene

Medical Imaging Informatics Innovation Center

Medical Home Lab

Lab-on-a-chip

600 Patents

Blue Gene

Medical Imaging Informatics Innovation Center

IBM Health Information Exchange

GBS - Electronic Medical Records

Healthlink

60 MDs

GBS - Medical Home

Policy for 10 healthcare networks

Patient Centered Primary Care Collaborative

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600 Patents

Blue Gene

Medical Imaging Informatics Innovation Center

Medical Home Lab

Lotus - Clinician/Patient Portal

Health Integration Framework

ISS Data Security Services

Collaborative Care Cloud

Cloud EHR Services

Public Health Cloud

Medical Archive

BlueBioU

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DNA Transistor

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Blue Gene

Medical Imaging Informatics Innovation Center
What Distinguishes IBM in Healthcare

Client Value

Industry Thought Leadership/Business Consulting

Cloud Computing

Workload Optimized Systems

Industry Frameworks/Software

Analytics

R&D

Coalition/Standards

600 Patents

Policy Advisor to 10 US State Medical Home Initiatives

Cloud EHR Services, Medical Image Cloud

Power7 for Medical Analytics

4,000 Healthcare Industry Experts

Health Integration Framework/28 Software Assets

Health Analytics Solutions Center – 100 Specialists

4,000 Healthcare Industry Experts

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Smarter Planet Solution Progression

Healthcare

Health Integration Framework

Patient/Medical Records
- Electronic Medical Records (Initiate)
- Data Security Services (ISS)
- Clinician/Patient Portal (Lotus)
- Medical Records Analytics (Cognos)

Health Information Ex
- Cloud EHR Services
- Patient Monitoring (ILOG)

Collaborative Care
- Medical Home (GBS)

Client Examples
- UNC Health Care
- Precedence Healthcare
- Geisinger
Retail

Supply Chain Optimization

Web 2.0 Retailing

Integration of Supply and Demand Systems

Advanced Sensor & Analytics Solutions
What Distinguishes IBM in Retail

Industry Thought Leadership/Business Consulting

Cloud Computing

Workload Optimized Systems

Industry Frameworks/Software

Analytics

R&D

Coalition/Standards

Client Value

- GBS/Chosen - Retail Single View of Customer
- Demand Driven Analytics on cloud
- Governments engaged with food tracking
- Security and Compliance Management
- IBM Retail Data Warehouse
- Retail Integration Framework
- SPSS - Market Basket Analysis
- Websphere-Web 2.0 Retail
- GBS / Websphere Multi-channel Order Mgmt.
- Corporate Brand and Reputation Analysis
- RFID & Tracking Policy
- The Supply Chain Council
- ARTS
- Auto ID Coalition
- GS1
- 700 Patents
- Speech Recognition
- RFID Clipped Tag Technology
- Customer Analytics & Market Basket Analysis
- Cognos-Merchandising Analytics
- RFID & Tracking Policy
- Policy

Customer Analytics & Market Basket Analysis

Corporate Brand and Reputation Analysis

Websphere-Web 2.0 Retail

GBS / Websphere Multi-channel Order Mgmt.

IBM Investor Briefing

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What Distinguishes IBM in Retail

- Analytics Cloud
- Cloud Computing
- Workload Optimized Systems
- Industry Thought Leadership/Business Consulting
- Coalition/Standards
- Power7 for Retail Analytics
- 700 Patents
- Industry Frameworks/Software
- Analytics
- Retail Industry Framework/40 Software Assets
- 150 Retail Analytics Specialists
- 1500 Retail Industry Experts
- Leader in Every Major Standards Coalition from Barcode to RFID

Client Value
Smarter Planet Solution Progression

Retail

Supply Chain Optimization

Integrated Demand/Supply Systems

Smarter Shopping Experience

SCM Consulting (GBS)
Distribution Center Optimization (ILOG)
Market Basket Analysis (SPSS)
Merchandizing Analytics (Cognos)
Single View of Customers (GBS, Cognos)
Multi-channel Order Mgmt. (GBS, Websphere)
Web 2.0 Retail (Websphere)

Client Examples

Beijing New Yansha
ELIETAHARI
Moosejaw

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Smarter Planet Engagements

430+ References
# Smarter Planet Engagements

<table>
<thead>
<tr>
<th>Industry</th>
<th>References</th>
<th>Framework</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Electronics</td>
<td>34</td>
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</table>

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17 of 20 Largest Cities are in the Growth Markets

1. Mexico City
2. Mumbai
3. Shanghai
4. Kolkata
5. New Delhi
6. Beijing
7. Sao Paulo
8. Buenos Aires
9. Moscow
10. Seoul
11. Chongqing
12. Istanbul
13. Karachi
14. Jakarta
15. Guangzhou
16. Tokyo
17. Wuhan
18. London
19. New York
20. Bangkok

Source: United Nations
The opportunity for Growth is significant

100 million
The number of people moving to urban cities every year, equivalent to 10 NYC's

5.9 billion
87% of the world's population

$6.3 trillion
Real GDP growth 2009 to 2015
Over 55% of World GDP growth

Real GDP Growth '09-'15
Served IT Growth '09-'15
Served IT as % of Real GDP '09

Major Markets
Growth Markets
2% 5%
3% 8%
2.4% 0.7%

Source: Demographic Data, United Nations, GDP Data, IBM Finance, Chief Economist, 04/10, IT Market Data, IBM Market Insights Market View (04/10) at CC
Global Sales and Distribution

Bruno Di Leo
General Manager, Growth Markets
IBM in Growth Markets: over 140 countries
IBM in Growth Markets

**Positioned for Growth**

- Revenue growth outpacing Major Markets by at least 8 pts
- Growing faster than market
- Increased at least 1 pt per year as a share of total IBM revenue
- Significant *investments that differentiate* IBM
- Significant *investments in growth* beyond BRIC’s
IBM differentiation through investments

The Globally Integrated Enterprise

- Global Delivery Center
- Software & Hardware Lab
- Research Lab
- Innovation Center
- Cloud Computing Center

- Natural Resources
- Telecommunications
- Rail
- Health
- Energy
- Finance
- Retail

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20 countries selected for broad investments in growth

**Selection Criteria**
- IT Market Size & Growth
- IT as a % of GDP
- Macro-economic
- Business Environment
- Political Environment
- Human Capital
- Physical Infrastructure
- Economic Recovery
- Government Effectiveness

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IBM Growth Markets strategies

- Market Expansion
  - Prioritized 20 Countries
  - Expanding beyond major cities

- IT Infrastructure Development
  - High-end Systems
  - Software solutions
  - Large Services Projects

- Industry Leadership
  - Investing in skills
  - Leading in key industries
  - Creating new IT markets
China

2000
3 Branch Offices

2010
28 Branch Offices

<table>
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<td>(2009-2015)</td>
<td>8.5%</td>
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<td>Served IT Market (2009)</td>
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<td>Served IT Growth (2009 – 2015)</td>
<td>12.0%</td>
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<td>2009 Served IT spending</td>
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<tr>
<td>outside major cities</td>
<td>80%</td>
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Expanding to 70 Branch Offices by 2015

Source: GDP Data, IBM Finance, Chief Economist, 04/10, IT Market Data, IBM Market Insights Market View (04/10) at CC, IT City Data, IBM Market Insights City Opportunity (03/10) at CC
India

2000
3 Branch Offices

2010
12 Branch Offices

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<td>2009 Served IT spending outside major cities</td>
<td>62%</td>
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Expanding to 48 Branch Offices by 2015

Source: GDP Data, IBM Finance, Chief Economist, 04/10, IT Market Data, IBM Market Insights Market View (04/10) at CC, IT City Data, IBM Market Insights City Opportunity (03/10) at CC
Expanding to 43 Branch Offices by 2015

Market Expansion

2000
9 Branch Offices

2010
23 Branch Offices

Population | 192M
Real GDP (2009) | $1.2T
Real GDP Growth (2009-2015) | 4.5%
Served IT Market (2009) | $15B
Served IT Growth (2009 – 2015) | 7.6%
2009 Served IT spending outside major cities | 60%

Source: GDP Data, IBM Finance, Chief Economist, 04/10, IT Market Data, IBM Market Insights Market View (04/10) at CC, IT City Data, IBM Market Insights City Opportunity (03/10) at CC
Market Expansion

ASEAN

2000
6 Branch Offices

2010
18 Branch Offices

<table>
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<tr>
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Expanding to 32 Branch Offices by 2015

Source: GDP Data, IBM Finance, Chief Economist, 04/10, IT Market Data, IBM Market Insights Market View (04/10) at CC, IT City Data, IBM Market Insights City Opportunity (03/10) at CC
Africa & Middle East

2000
10 Branch Offices

2010
23 Branch Offices

<table>
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<td>64%</td>
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</table>

Expanding to 40 Branch Offices by 2015

Source: GDP Data, IBM Finance, Chief Economist, 04/10, IT Market Data, IBM Market Insights Market View (04/10) at CC, IT City Data, IBM Market Insights City Opportunity (03/10) at CC
Build-out of IT infrastructure in support of economic growth

**Brazil**
High-end systems and software in support of Business Analytics

**China**
First large services project for gas distribution

**Russia**
Optimization of IT infrastructure for freight & passenger management

**Slovenia**
Electronic patient health & insurance records

**Namibia**
1st mainframe in Namibia to localize core banking for 400K customers

**South Korea**
Processing for 11 banks, 2.6M merchants, 40M cardholders

**Thailand**
Centralized, web-accessible health information system

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**IBM Market Share**

<table>
<thead>
<tr>
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<th>Brazil</th>
<th>China</th>
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<tbody>
<tr>
<td>High-end Systems</td>
<td>75%</td>
<td>65%</td>
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<tr>
<td>UNIX Servers</td>
<td>63%</td>
<td>45%</td>
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</table>

**Market Share Source:** IDC WW Tracker 4Q 2009
Client value through focused Industry leadership

Industry Leadership

Banking
Transportation & Rail
Energy & Utilities
Healthcare
Natural Resources
Market Opportunity

- 85% of proven oil reserves
- 92% of proven gas reserves
- 7 of 8 top mining countries

Western Australia
- Chevron, Woodside and Inpex investing >$100B in LNG exploration
- BHPB investing $3B in Iron Ore

Brazil
- Petrobras investing $45B in 2010 for exploration of its PreSalt reserves
- Vale investing $10B in mine expansion

Why IBM

IBM solutions for the Smarter Planet
- Operations
- Asset Management
- Health & Safety & Environment

Examples of client value delivered
Growth Markets Summary

Delivering Growth
- Investments that differentiate IBM
- Significant investments in growth strategies beyond BRICs

<table>
<thead>
<tr>
<th>Market Expansion</th>
<th>IT Infrastructure Development</th>
<th>Industry Leadership</th>
</tr>
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<tbody>
<tr>
<td>Prioritized 20 countries</td>
<td>High-end Systems, Software Solutions, Large Services Projects</td>
<td>Investing in skills, Leading in Key Industries, Creating new IT markets</td>
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</tbody>
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IBM Roadmap to 2015
- Revenue growth will continue to outpace Major Markets by at least 8pts
- Growth faster than market
- Increase at least 1pt per year as a share of total IBM revenue
- Significant investments that differentiate IBM
- Significant investments in growth beyond BRIC’s
SmarterCities event in Growth Markets

- Shanghai, June 2-3, 2010
- 500 C-level Clients, Influencers, Business Partners
- 25 Countries
Sales and Distribution Summary

- Profitable Revenue Growth by Delivering New Client Value
- Solution Sales Based on Repeatable Industry Frameworks
- Growth Markets Expansion

Enable Revenue Growth of at Least 5% in the 2015 Roadmap Through Key Growth Strategies
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