Forward Looking Statements and Non-GAAP Information

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.
Cloud is changing the way enterprises work and transforming the way IT and business processes are delivered.

Nearly 70% of enterprises to pursue hybrid cloud by 2015**

91% of net new software built for cloud delivery in 2014***

Growing IT complexities accelerating shift to software defined solutions

Open standards driving new class of innovation

Expanding role of Service Providers

By 2017, cloud spend will be $392B.

Cloud Market Opportunity*  
25% CAGR through 2017

$392B

SaaS / BPaaS  
25% CAGR

IaaS / PaaS  
28% CAGR

Private Cloud  
24% CAGR

*Source: IBM Market Insights, 1H 2014
**Source: Gartner, p.6, Private Cloud Matures, Hybrid Cloud is Next, Gartner G00255302, Sept 6, 2013
Enterprises require Hybrid cloud capabilities

Key Considerations:

- **Expertise** – Best practices
- **Open Integration** – hybrid environments
- **Control** – Visibility, automation

Hybrid Cloud

Enterprise Applications

Cloud Enabled

Cloud Native Apps/Services

- **Traditional IT**
- **Dedicated On-Premises Cloud**
- **Dedicated Off-Premises Cloud**
- **Shared Off-Premises Cloud**
Only IBM can address cloud needs in the front and back office

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Process as a Service</td>
<td>Enabling business transformation</td>
</tr>
<tr>
<td>Software as a Service</td>
<td>Marketplace of high-value consumable business applications</td>
</tr>
<tr>
<td>Platform as a Service</td>
<td>Composable and integrated application development platform</td>
</tr>
<tr>
<td>Infrastructure as a Service</td>
<td>Enterprise class, optimized infrastructure</td>
</tr>
</tbody>
</table>

**Think it. Build it. Tap into it.**

- Smarter Commerce
- Smarter Workforce
- Smarter Analytics
- Smarter Cities
- Watson Solutions
- Software Solutions
- Bluemix™
- Patterns
- IBM Cloud Managed Services
- Infrastructure Services

*IBM’s participation across the stack drives higher operating leverage*
SoftLayer delivers enterprise-grade, best-in-class performance and reliability – at a highly competitive price

**Differentiation:**

<table>
<thead>
<tr>
<th>Performance</th>
<th>Flexibility</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior throughput</td>
<td>Fully customizable</td>
<td>Simple, powerful management</td>
</tr>
<tr>
<td>High security</td>
<td>Easily scalable</td>
<td>24x7 support</td>
</tr>
<tr>
<td>Redundant, high capacity networks</td>
<td></td>
<td>Full visibility</td>
</tr>
</tbody>
</table>

Across essential workloads, SoftLayer stands apart:

- **Web application**
  - 2.7x faster
  - 46% lower price\(^*\)
  - 4.9x better price performance\(^*\)

- **Deep analytics**
  - 11% faster
  - 2.6x lower price\(^**\)
  - 2.9x better price performance\(^**\)

- **Message delivery**
  - 13x better performance
  - 11.5x better price performance

Results are based on an IBM internal studies of basic web application and message passing workloads and are specific to the systems and services compared. Results obtained under laboratory conditions, not in an actual customer environment. Customer applications, differences in the stack deployed, and other systems variations or testing conditions may produce different results and may vary based on actual configuration, applications, specific queries and other variables in a production environment. Pricing based on published US list prices available for specific cloud hub locations compared as of 5/8/14. Option for dedicated servers not available in Competitor Cloud environment. *3 year total cost of acquisition **3 year total cost of acquisition excluding database
IBM is investing $1.2B in new cloud resources to significantly expand SoftLayer presence

- Expanding to 40 WW cloud hubs in 15 Countries
- Live in Hong Kong, London, Dallas
- 2H 2014: Paris, Toronto, Melbourne, Montreal, Frankfurt, Sydney, Tokyo

Holistic Global Design Point
- IBM SoftLayer has integrated network, compute, and storage from day 1
- SoftLayer is designed to provide high levels of visibility, control and automation to meet client's evolving requirements
- SoftLayer owned network is a fundamental design point
IBM continues to add differentiation to the SoftLayer platform

- Expanding to 40 cloud hubs in 15 countries
- Now over 3,000 exposed API methods and ~200 services providing superior control and workload visibility
- Over 1,000 new business partners
- Watson solutions will be deployed on Power 8 systems in SoftLayer worldwide
- Bluemix, IBM’s PaaS, is running on SoftLayer
- Extending OpenStack integration for enterprise
- Will have 40 network points-of-presence by year end, extending to other IBM cloud hubs
- SoftLayer is the price/performance leader
SoftLayer pricing is based on a granular set of options

Configure your Quad Processor, Quad Core Intel (Monthly)

<table>
<thead>
<tr>
<th>System Configuration</th>
<th>Network Options</th>
<th>System Addons</th>
<th>Storage Addons</th>
<th>Service Addons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity</td>
<td>1 Server</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Data Center**

- AMS01 - Amsterdam - Western Europe
- DAL01 - Dallas - Central United States
- DAL05 - Dallas - Central United States
- DAL06 - Dallas - Central United States
- DAL07 - Dallas - Central United States
- HKG02 - Hong Kong - Asia (Additional $20.00 monthly data center surcharge)
- LON02 - London - Western Europe (Additional 6% monthly data center surcharge)
- SJCO1 - San Jose - West Coast United States
- SEACO1 - Seattle - West Coast United States
- SNGO1 - Singapore - Southeast Asia (Additional $20.00 monthly data center surcharge)
- WDC01 - Washington, DC - East Coast United States

**Summary**

- **$999.00 /mo.** + $0.00 in one-time fees
- **ADD TO ORDER**

**Public Bandwidth**

- **Limited**
- **Unlimited**
- **Private Network Only**

- 20000 GB Bandwidth

**Uplink Port Speeds**

- **Private Only**
- **Public & Private**

- 10 Gbps Dual Private Network Uplinks (Unbonded) [$200.00]
- 100 Mbps Private Network Uplink
- 1 Gbps Private Network Uplink [$10.00]
- 10 Gbps Private Network Uplink [$100.00]
- 10 Mbps Private Network Uplink

**Public Secondary IP Addresses**

- None
- 4 Public IP Addresses [$4.00]
- 8 Public IP Addresses [$8.00]

**Primary IPv6 Addresses**

- None
- 1 IPv6 Address

**Public Static IPv6 Addresses**

- None
- /64 Block Static Public IPv6 Addresses [$5.00]
Enterprises want complete flexibility in their cloud configurations

**Dedicated On-Premises Cloud**
- Traditional → dedicated on-premises cloud

**Dedicated Off-Premises Cloud**
- Traditional → new business model
  - Traditional → dedicated off-premise cloud

**Shared Off-Premises Cloud**
- Traditional → shared off-premise cloud

Financial firm
Auto firm
Boursorama
Whirlpool
Cloud in Action: Europe-based Financial Services Firm

A global financial services company in Europe deploys on-premises shared services catalog to optimize business

The Client

The firm is a prominent financial services company dating back to the 19th century and today is one of the leading banks, with a strong international presence and 3,500 offices and 100,000 full-time employees with operations in Africa, the Americas, Asia, Australia and Europe.

The Need

To stand up a Shared Service Catalog for both cloud and legacy end-points.

Reconcile desire for standard services and cloud where regulators will only allow on-premise.

The Solution

IBM Cloud Managed Services, Lite-Site architecture deployed on the client's premise, with incremental capacity needs, and integration with existing investments for centralized managing tools, processes and labor.

Scalable architecture for demanding traditional enterprise workloads (large servers, high-IOPS storage, multiple networks).

Standard-managed, SO-style SLAs and compliance.
Cloud in Action: Europe-based automotive
A German automotive company uses SoftLayer to accelerate the release of new application features from weeks to hours

The Client
The company provides car sharing services in European and North American cities – offering exclusively Smart vehicles and features one-way point-to-point rentals, which are charged by the minute (with hourly and daily rates available).

The service forgoes the typical centralized rental office, and cars are user-accessed wherever parked via a downloadable smartphone app.

The Need
Required back-end IT services to support over 20% YOY business growth objectives.

- Reliability – Mitigate down time
- Global Deployment – Support plans to expand in Asia, with low network latency
- Faster Time to Market – Agile and automated infrastructure for development of new features
- “Pay as you go” - price model

The Solution
The IBM solution is based on SoftLayer virtual CCI’s combined with bare metal servers, implemented in three cloud hubs (Amsterdam, Dallas, Singapore).

IBM Managed Services were built on top of the infrastructure to automate deployment and operate platform 24x7.

DevOps Services to integrate the development team from the customer in the daily operation.
Cloud in Action: Boursorama Banque

A European online brokerage and financial information firm uses SoftLayer for a hybrid cloud solution to support a growth strategy to move from 500,000 clients to 1.5 million by 2020.

The Client

Boursorama is a subsidiary of Société Générale retail bank.

Boursorama is a pioneer and leader in its three businesses: online banking, online brokerage and financial information on the Internet.

The Need

Needed a dynamic cloud infrastructure managed by one single service provider to support their growth strategy.

The managed solution needed to be flexible, industrialized, secure, and reliable - running 24x7.

The Solution

A hybrid managed cloud solution with back-office hosting and IaaS solution for 300 servers and storage hosted in a BCRS dual site and front-office SoftLayer hybrid solution that uses multiple bare metal servers, multiple virtual machines on public and private cloud.

Web traffic load-balanced between two SoftLayer PODs based out of Paris and Amsterdam.

IBM Partner, NBS System, will manage the open source components for the front-office.

In Collaboration With:

SoftLayer
an IBM Company
Cloud in Action: Whirlpool

The world’s #1 major appliance company in the $130 billion global home appliance industry uses IBM Cloud Managed Services and SoftLayer to create a hybrid cloud delivering value across their global enterprise.

The Client

Whirlpool manufactures appliances across all major categories, including fabric care, cooking, refrigeration, dishwashers, countertop appliances, garage organization, and water filtration.

Whirlpool has more than $19B of revenue with products sold in more than 130 countries.

The Need

Needed a flexible and scalable environment to host its e-commerce platform and store and deploy large amounts of critical appliance and commercial data.

The client’s strategy was to go to an off-premise, enterprise-grade cloud solution.

The Solution


SoftLayer for data archive and backup solution to meet audit compliance requirements.

IBM also helped Whirlpool develop a 5 year cloud strategy roadmap.
IaaS revenue and profit dynamics

- Differentiation matters – and drives the pricing model
  - SoftLayer provides significantly more flexibility compared to the limited number of configurations competitors offer
  - SoftLayer includes technical support, network transfers between cloud hubs and from client to cloud hub, as well as 20 TB of free outbound data in the base price
  - IBM’s IaaS capabilities are a strong differentiator in regulatory, compliance, and privacy requirements for cloud workloads

- IBM Cloud Managed Services (CMS) adds access to higher-end hardware and end-to-end managed services – all supported by extensive automation
  - Managed services for some workloads can represent 2-6X the revenue of unmanaged IaaS

- IBM has been investing in acquisitions, increasing capacity in cloud hubs, and driving automation into cloud provisioning, delivery, and run operations

- $4.4B of total cloud revenue in 2013, including $1.7B delivered as-a-Service
  - Exited 2Q 2014 with as-a-Service run-rate of $2.8B, nearly double YTY
- Significant investments to drive innovation and differentiation
- As the cloud platform scales, its profit margin expands
Enterprise clients are evolving to a hybrid cloud architecture; they will consume a mix of cloud services and many will want managed cloud services

IBM’s broad portfolio of offerings enables us to engage with clients in any mix of consumption models that fit their needs – on/off premise, dedicated/virtualized/managed

Enterprises want comprehensive flexibility in their cloud configurations

IBM’s differentiated cloud hub model and network design, bare metal offerings, and extensive options and control points allow clients to use the cloud in ways that were previously unaffordable

IBM has the breadth and deep relationships to transition clients to this latest model of enterprise IT

IBM generated $4.4B cloud revenue in 2013

First half 2014 up more than 50% YTY, as-a-Service revenue doubled

On track to $7B of cloud revenue in 2015