IBM Business Overview

Rob DiMarco
September 2008
Agenda

- Organization Overview
- 2Q Financial update
- Power Spend
- ISC Green Initiatives
Organization Overview
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IBM Senior Vice President & Group Executive STG

Bob Moffat

Senior Vice President Development & Manufacturing
Rod Adkins

General Manager Business Systems Division
Erich Clementi

General Manager Enterprise Systems Division
Jim Stallings

General Manager Industry Systems Division
Curtis Tearte

General Manager System z Platform
Anne Altman

General Manager Power Systems Platform
Ross Mauri

General Manager Modular Systems Platform
Adalio Sanchez

General Manager Storage Platform
Andy Monshaw

General Manager Global Business Partners
Rich Hume

Vice President Operations
Tom Jarosh

Vice President Global Procure-to-Pay Process, Hardware
Mark Dunham

Vice President Business Partners Strategy
Ravi Marwaha

Vice President Customer Fullfillment
Barbara Martin

Vice President & Chief Procurement Officer
John Paterson

Vice President Supply Chain Operations ISC
Timothy Carroll

Vice President Human Resources
Karen Calo

Vice President Finance
James Boyken

Vice President Assistant General Counsel
Ron Lauderdale

Vice President Communications
Michael Fay
ISC Engineering Organization

Sophie Bechu
Vice President
ISC Engineering

HR/Finance

Mgr Process and Strategy
John Maresca

Mgr RSS Business Model
Tony Andres

Director Environmental Compliance
Lou Ferretti

Mgr AP Procurement Engineering
SC Lim

Director New Products/EC Mgmt
John McAlpin

Dir Elec Comp/ MD/GES/ BCS/BTO
Ruth Mendelson

Dir HE Fulfillment/ Power / Mech
Pat Tivnan

Dir i/p/x & RSS Fulfillment
Tory Johnson

Dir Interconnect / ECAT / CM
Mark Morizio

Dir Total Storage & Corp Quality
Eric Townsend
Development & Manufacturing Organization

Rod Adkins
Sr. Vice President
Development & Manufacturing STG

- VP Technology Development
  - John Acocella
- VP Systems Software Dev. and Lab Based Services
  - Helene Armitage
- General Manager Microelectronics
  - George Bailey
- VP, Blades and Modular Development
  - Doug Balog

- General Manager Semiconductor Solutions
  - Michael Cadigan
- VP, Systems Assurance
  - Armando Garcia
- VP, Integrated Systems Development
  - Satish Gupta
- VP, Operations
  - Vijay Lund
- IBM Fellow, VP Strategic Alliances and Chief Technologist STG
  - Bernie Meyerson
2Q Financial Update
IBM Company Profile – 2Q08

IBM delivers on-demand solutions through the following business segments:

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Revenue ($)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Services</td>
<td>15.2</td>
<td>57%</td>
</tr>
<tr>
<td>Hardware</td>
<td>5.2</td>
<td>19%</td>
</tr>
<tr>
<td>Software</td>
<td>5.6</td>
<td>21%</td>
</tr>
<tr>
<td>Global Financing</td>
<td>0.6</td>
<td>2%</td>
</tr>
<tr>
<td>Enterprise Investments/Other</td>
<td>0.2</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total IBM Revenue</strong></td>
<td><strong>26.8</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

2Q08 Financials from Continuing Operations:

- Revenue: $26.8 billion
- Net Income: $2.8 billion
- Gross Profit Margin: 43.2%
- Earnings Per Share: $1.98
- Number of employees: 386,558
- Number of registered stockholders: 585,572

Over time, the nature of our business operations has shifted from a hardware oriented business to what is now a services-led business.

Expect EPS of at least $8.75 in 2008
## 2Q Revenue By Geography

### $ in Billions

<table>
<thead>
<tr>
<th>Region</th>
<th>2Q08</th>
<th>B/(W) Yr/Yr</th>
<th>Rptd</th>
<th>@CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>$10.9</td>
<td>8%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Europe/ME/A</td>
<td>9.8</td>
<td>20%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>5.3</td>
<td>16%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Total Geographies</td>
<td>$26.1</td>
<td>14%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>IBM</td>
<td>$26.8</td>
<td>13%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Growth Markets Org.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>BRIC Countries</td>
<td></td>
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</tr>
</tbody>
</table>

**Acceleration in all geographies**
IBM Power and Cooling Spend
2008 Power/Cooling

Power/Cooling Spend - $520M Total
$393M Power Spend

- Storage 13%
- RSS 3%
- System x 29%
- Power (Sys. i/p) 43%
- Mainframe 12%
- System x 29%
- Storage 13%
- RSS 3%
- Power (Sys. i/p) 43%
- Mainframe 12%

Strategy Points:
- Leveraging cross council Core Suppliers to drive value
  - Leveraging spend with Platform core suppliers
  - Leveraging industry solutions at low end
  - Partner to leverage supplier’s/IBM technology and core competencies
- Leading edge performance & power pushing technology limits and improving cost
  - Accelerate focus on Efficiency
- Blades – Blade Center power is common across i/p/x/s/GES
- Low End – Commonality across i/p/x (1U/2U eClipz, Valiant, Defiant)
  - Enabling High End suppliers into Low End
  - Drive consolidation at part level
  - Dual sourcing high volume components across leveraged core supply base
- High End requires high reliability power solutions
- Continue to Leverage co-development partnerships
ISC Green Initiatives
Why Environmental Leadership Is Relevant today…

- Environmental protection is consistent with IBM’s values
- Our clients are moving towards Green
  - They’re demanding the same from their suppliers
- Shareholders expect it
- Green sensitivity improves employee loyalty
- It’s a business development opportunity
- It can help cut cost
Green ISC volunteers are organized into six functional teams— with both Global and local focus

Executive lead: Larry Raymond

**Employee Involvement**

Jay Schneider

- Build awareness & drive involvement
- Utilize Thinkplace to solicit employee ideas
- Leverage successful employee engagement models

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**Energy**

Reduce energy costs and consumption:
- Manufacturing Plants & Processes
- ISC Sites / Offices

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**Packaging & Logistics**

Partner with BP's, Clients, IBM to develop and share:
- Pack’g/Logistics education
- Best practices for “greening” the SC

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**Solid Waste**

Reduce and re-use in manufacturing and office sites:
- Reduce waste through action, awareness & education
- Promote reduction, reuse & recycling

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**Supplier Env Init**

Assess contracts, product and policies:
- Paper/Wood Sources
- Recycled Resins
- Rentals/Leases
- Product Design
- SC Greenhouse gases

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**Cust. Fulfillment Team**
- Helping clients and BP’s go paperless using the CSOL tool suite

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**Shenzhen Inbound Packaging Team**
- Delivered 3.9M savings
- Reduced 296 tons of waste

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**Dublin Solid Waste Team**
- New program has increased recycling by 58%

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**Endicott Environ. Team**
- Wafer de-patterning process allows wafers to be recycled/sold to solar cell producers