

DemandTec Acquisition Announcement

Purpose

The purpose of this document is to address particular questions and provide additional insight about IBM's agreement to acquire DemandTec. To view the full press release, go to:

<http://www.ibm.com/press/us/en/pressrelease/36165.wss>

Q. What are you announcing today?

On December 8, 2011, IBM announced that it has signed a definitive agreement to acquire DemandTec, Inc., a publicly held company headquartered in San Mateo, CA, with offices in London, Paris, Minneapolis and Bangalore.

DemandTec is a leading provider of cloud-based price, promotion, assortment and shopper insights solutions for retail and consumer packaged goods enterprises.

Q. When will this transaction be finalized?

This transaction will be finalized following DemandTec stockholder approval, regulatory reviews and completion of customary closing conditions. We expect these to occur in the first quarter of 2012.

Q. Who is DemandTec? What do they do?

Founded in 1999, DemandTec provides cloud-based price, promotion, assortment optimization, and shopper insights solutions that enable businesses to make better, more informed decisions with respect to key merchandising and marketing strategies.

DemandTec is an industry leader, with a vision to revolutionize how pricing, promotion, and other decisions are made by retailers and Consumer Product manufacturers -- helping leaders in these industries to be more targeted, more digital, more integrated. i.e. Smarter.

These solutions help businesses generate superior profit margin while simultaneously maintaining a highly competitive market position by understanding and anticipating customer behavior and needs through customer insights across multiple channels.

DemandTec has an established install base of approximately 450 retail and consumer products companies worldwide, including world leaders such as Wal-Mart, Target, Best Buy, and General Mills, has 31 patents awarded so far for optimization science and related technologies, and has a significantly tenured and motivated team of professionals.

DemandTec's solutions help businesses better understand, predict, and shape consumer demand in order to meet financial and customer loyalty objectives, with demonstrated benefits including:

- Helping retailers:
 - Better understand their customers, including segment by segment differences in shopping behavior, preferences, and demand
 - Increase sales dollars, unit volume, and profit, all while becoming more competitive on overall prices
 - Increase profit by using price to direct demand to higher margin goods
 - Simulate and analyze promotions to determine best use of merchandising funds
 - Decompose volume and profit actuals to understand from the source of gains or lost opportunities
 - Gain insight into segment buying behavior, price elasticity, promotion effectiveness, etc. with modeling that can be done on segmented loyalty/customer data
 - Analyze market basket patterns and determine product affinities, allowing them to build the most profitable promotion and assortment strategy

- Helping Consumer Product manufacturers:
 - Better understand their customer's customer, the shopper, including segment by segment differences in shopping behavior, preferences, and demand
 - Revolutionize sales and marketing decision-making by making annual planning more continuous and responsive to market changes
 - Optimize trade plans that include every day price and promotions and increase ROI on the trade dollars spent to fund those plans
 - Optimize the broader marketing mix to best allocate funds to traditional media, new media and channels (e.g. social), trade vehicles, etc.
 - Better collaborate with retailers to ensure trade plans are executed
- Help improve collaboration and coordination between Retailers and Consumer Product manufacturers to drive better business results

Q. Why is IBM planning to acquire DemandTec?

The acquisition of DemandTec will extend IBM Smarter Commerce solutions with cloud-based pricing, promotion, assortment and shopper insights solutions that enable merchandising, sales and marketing professionals to gain insights on today's empowered consumers, and improve profitability based on the ability to market, sell and deliver the right product at the right time, the right place, and at the right price.

Smarter Commerce is a smarter way for companies to buy, market, sell and service their products by integrating operations and enhancing interactions through community, collaboration, process and analytics—all within an industry context. This new initiative of Smarter Commerce is focused on helping companies swiftly adapt to rising customer demands in today's digitally transformed marketplace. IBM's new software and services offerings, supported by global sales and marketing resources, address the spectrum of enterprise commerce activities—new ways to buy, sell and secure greater customer loyalty in the era of mobile and social networks.

The combined capabilities of IBM and DemandTec will help our clients extend the "customer centric value chain" by enhancing merchandising systems and enabling sales, marketing and merchandising executives to increase revenue and profitability through improved product, price and promotion strategies, decision management and execution.

Setting and executing the right pricing, promotion, and assortment across online and offline channels is a key competitive advantage for businesses. DemandTec's ability to bring science and agility to price, promotion, and assortment optimization to enterprise commerce activities within a broad context of retail, B2C, and consumer packaged goods is unmatched in the industry.

Like Smarter Commerce, DemandTec's offerings are customer focused and enable companies to:

- Understand and anticipate customer behavior and needs based on customer insights across multiple channels
- Market, sell, and fulfill the right product and service at the right price, time and place
- Service customers flawlessly, predict and drive customer loyalty
- Adapt sourcing based on customer demand and optimize supplier interactions across extended value chains

Q. How will DemandTec fit within the IBM software portfolio?

The DemandTec products will become part of the Industry Solutions portfolio within IBM Software Group. The combined capabilities of IBM and DemandTec will help our clients increase revenue and profitability through fact-based decisions about pricing, promotion, assortment, and related marketing strategies. DemandTec's solutions will support and expand IBM Smarter Commerce to form the most comprehensive commerce optimization offerings.

Q. How will DemandTec clients benefit?

DemandTec clients will benefit from the combined technologies and skills of both companies, including increased investment, global reach, industry expertise and support available from IBM, along with IBM's commitment to innovation in general.

Consistent with IBM's Smarter Commerce strategy, IBM will continue to support and enhance DemandTec's technologies and clients while allowing them to take advantage of the broader IBM portfolio, including Coremetrics, Unica, Sterling Commerce, Cognos, Netezza and other Smarter Commerce solutions, as well as enhanced service options from IBM Global Services and increased international support (people, product localization, etc.).

Q. How will the acquisition affect DemandTec Business Partners?

IBM intends to extend and grow with the skilled Business Partner community that has helped make DemandTec successful. As IBM works hard to deliver portfolio enhancements based on DemandTec technology, DemandTec Business Partners are encouraged to get started now. To find out more about establishing a deeper relationship with IBM, visit [IBM PartnerWorld - IBM Software Value Plus](#)

Q. How will the DemandTec team fit organizationally within IBM?

DemandTec will become part of the Industry Solutions business, lead by Craig Hayman, General Manager, IBM Industry Solutions, within IBM Software.

DISCLAIMER

Clients are responsible for ensuring their own compliance with various laws and regulations. It is the client's sole responsibility to obtain advice of competent legal counsel as to the identification and interpretation of any relevant laws and regulations that may affect the client's business and any actions the client may need to take to comply with such laws and regulations. IBM does not provide legal, accounting or auditing advice or represent or warrant that its services or products will ensure that the client is in compliance with any law or regulation.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this communication regarding the proposed transaction between IBM and DemandTec, the expected timetable for completing the transaction, benefits and synergies of the transaction, future opportunities for the combined company and products and any other statements regarding IBM and DemandTec's future expectations, beliefs, goals or prospects constitute forward-looking statements made within the meaning of Section 21E of the Securities Exchange Act of 1934 and (collectively, forward-looking statements). Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "estimates" and similar expressions) should also be considered forward-looking statements. A number of important factors could cause actual results or events to differ materially from those indicated by such forward-looking statements, including the parties' ability to consummate the transaction; the conditions to the completion of the transaction, including the receipt of shareholder approval, court approval or the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; the parties' ability to meet expectations regarding the timing, completion and accounting and tax treatments of the transaction; the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the arrangement within the expected time-frames or at all and to successfully integrate DemandTec's operations into those of IBM; such integration may be more difficult, time-consuming or costly than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the transaction; the retention of certain key employees of DemandTec may be difficult; IBM and DemandTec are subject to intense competition and increased competition is expected in the future; fluctuations in foreign currencies could result in transaction losses and increased expenses; the volatility of the international marketplace; and the other factors described in IBM's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and in its most recent quarterly report filed with the SEC, and DemandTec's Annual Report on Form 10-K for the fiscal year ended February 28, 2011 and in its most recent quarterly report filed with the SEC. IBM and DemandTec assume no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

Additional Information and Where to Find It

This communication may be deemed to be solicitation material in respect of the proposed acquisition of DemandTec by IBM. In connection with the proposed acquisition, DemandTec intends to file relevant materials with the SEC, including DemandTec's proxy statement in preliminary and definitive form. SHAREHOLDERS OF DEMANDTEC ARE URGED TO READ ALL RELEVANT

DOCUMENTS FILED WITH THE SEC, INCLUDING DEMANDTEC'S DEFINITIVE PROXY STATEMENT, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain the documents free of charge at the SEC's web site, <http://www.sec.gov>. Documents will also be available for free from DemandTec by contacting DemandTec Investor Relations at (650) 645-7103 or investorrelations@DemandTec.com. Such documents are not currently available.

Participants in Solicitation

IBM and its directors and executive officers, and DemandTec and its directors and executive officers, may be deemed to be participants in the solicitation of proxies from the holders of DemandTec common shares in respect of the proposed transaction. Information about the directors and executive officers of IBM is set forth in the proxy statement for IBM's 2011 Annual Meeting of Stockholders, which was filed with the SEC on March 7, 2011. Information about the directors and executive officers of DemandTec is set forth in the proxy statement for DemandTec's 2011 Annual Meeting of Shareholders, which was filed with the SEC on June 24, 2011. Investors may obtain additional information regarding the interest of such participants by reading the definitive proxy statement regarding the acquisition when it becomes available.