



4Q 2014 Earnings Presentation

January 20, 2015

www.ibm.com/investor



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 are intended to be presented and understood together.

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), the company also discusses, in its earnings press release and earnings presentation materials, 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 in supplemental materials entitled "Non-GAAP Supplemental Materials" that are posted on the Company's investor relations web site at <http://www.ibm.com/investor/events/earnings/4q14.html> The Non-GAAP Supplemental Materials are also included as Attachment II to the Company's Form 8-K dated January 20, 2015.

2014 Summary

	<u>4Q14</u>		<u>FY14</u>	
	<u>\$</u>	<u>Yr/Yr</u>	<u>\$</u>	<u>Yr/Yr</u>
Revenue	\$24.1	(12%)	\$92.8	(6%)
@CC excl. divestitures*		(2%)		(1%)
Operating (Non-GAAP) EPS	\$5.81	(6%)	\$16.53	(1%)

* Yr/Yr excludes divested Customer Care BPO and System x businesses for full year

- Continued strength in strategic imperatives
 - FY strategic imperatives revenue \$25B, +16% yr/yr, represents 27% of IBM
 - Solid double-digit growth each quarter
 - Cloud \$7B, +60% yr/yr, \$3.5B annual as-a-service run rate
- Expanded gross and pre-tax margins, driven by shift to higher value
- Improving position for long term
 - Shifting investments and resources
 - Establishing key initiatives and partnerships
 - Divested businesses that no longer fit strategic profile



Key Financial Metrics

\$ in Billions, except EPS

P&L Highlights

	<u>4Q14</u>	<u>B/(W) Yr/Yr</u>	<u>P&L Ratios (Operating)</u>	<u>4Q14</u>	<u>B/(W) Yr/Yr</u>
Revenue	\$24.1	(12%)	GP Margin	53.9%	0.6 pts
@CC excl. divestitures*		(2%)	PTI Margin	30.7%	3.0 pts
PTI – Operating	\$7.4	(2%)	Tax Rate	21.8%	(9.6 pts)
NI – Operating	\$5.8	(13%)	NI Margin	24.0 %	(0.3 pts)
EPS – Operating	\$5.81	(6%)			

* Divested Customer Care BPO and System x businesses

Cash Highlights

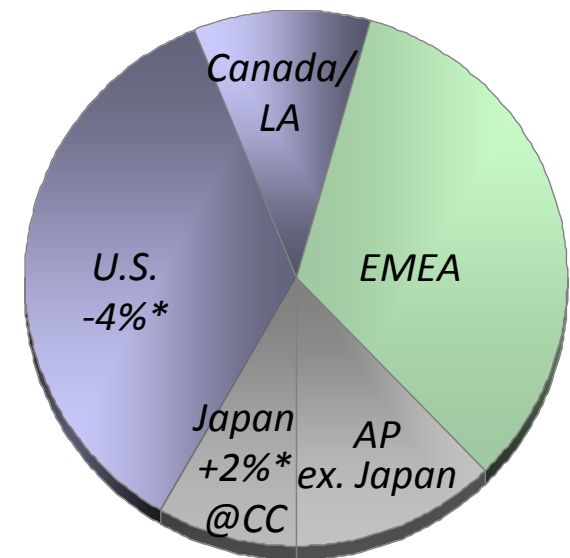
	<u>4Q14</u>	<u>FY14</u>
Free Cash Flow (excl. GF Receivables)	\$6.6	\$12.4
Share Repurchase (Gross)	0.1	13.7
Dividends	1.1	4.3
Cash Balance @ Dec. 31	8.5	

Revenue by Geography

\$ in Billions

B/(W) Yr/Yr

	<u>4Q14</u>	<u>Rptd</u>	<u>@CC*</u>
Americas	\$11.1	(9%)	(4%)
Europe/ME/A	8.0	(13%)	(1%)
Asia Pacific	4.9	(17%)	(2%)
IBM	\$24.1	(12%)	(2%)
<i>Major Markets</i>		<i>(11%)</i>	<i>(2%)</i>
<i>Growth Markets</i>		<i>(16%)</i>	<i>(2%)</i>
<i>BRIC Countries</i>		<i>(21%)</i>	<i>(8%)</i>



* Yr/Yr @CC normalized for divested Customer Care BPO and System x businesses



Revenue and Gross Profit Margin by Segment

\$ in Billions	Revenue			Operating Gross Profit Margin	
	<u>4Q14</u>	<u>B/(W) Yr/Yr</u>		<u>4Q14</u>	<u>B/(W) Yr/Yr Pts</u>
		<u>Rptd</u>	<u>@CC</u>		
Global Technology Services*	\$9.2	(8%)	2%	38.5%	(0.3 pts)
Global Business Services	4.3	(8%)	(3%)	32.0%	1.4 pts
Software	7.6	(7%)	(3%)	90.0%	(0.6 pts)
Systems & Technology*	2.4	(39%)	(12%)	49.6%	7.3 pts
Global Financing	0.5	Flat	5%	48.7%	5.3 pts
Total Revenue & Op. GP Margin*	\$24.1	(12%)	(2%)	53.9%	0.6 pts

* Yr/Yr Revenue @CC normalized for divested Customer Care BPO and System x businesses

Expense Summary

\$ in Billions	<u>4Q14</u>	<u>B/(W) Yr/Yr</u>	<u>B/(W) Yr/Yr Drivers</u>		
			<u>Currency</u>	<u>Acq.*</u>	<u>Base</u>
SG&A – Operating**	\$5.8	(1%)	5 pts	(1 pts)	(4 pts)
RD&E – Operating	1.3	7%	2 pts	(2 pts)	6 pts
IP and Development Income	(0.2)	(1%)			
Other (Income)/Expense**	(1.5)	nm			
Interest Expense	<u>0.1</u>	(4%)			
Operating Expense & Other Income <i>excl. divested System x business</i>	\$5.6	20% (2%)	4 pts 5 pts	(1 pts) (1 pts)	17 pts (6 pts)

* Includes acquisitions made in the last twelve months, net of non-operating acquisition-related charges

** SG&A includes Workforce Rebalancing charge of \$0.6B; Other (Income)/Expense includes System x divestiture gain of (\$1.4B), or (\$1.1B) PTI benefit net of related transaction and performance based cost and expense

Services Segments

Global Technology Services (GTS)

		<u>B/(W) Yr/Yr</u>	
\$ in Billions	<u>4Q14</u>	<u>Rptd</u>	<u>@CC*</u>
Revenue (External)	\$9.2	(8%)	2%
Gross Margin (External)	38.5%	(0.3 pts)	
PTI Margin**	15.6%	(3.9 pts)	

** GTS reflects Workforce Rebalancing charge of \$0.3B

Global Business Services (GBS)

		<u>B/(W) Yr/Yr</u>	
\$ in Billions	<u>4Q14</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$4.3	(8%)	(3%)
Gross Margin (External)	32.0%	1.4 pts	
PTI Margin**	16.4%	(2.7 pts)	

** GBS reflects Workforce Rebalancing charge of \$0.1B

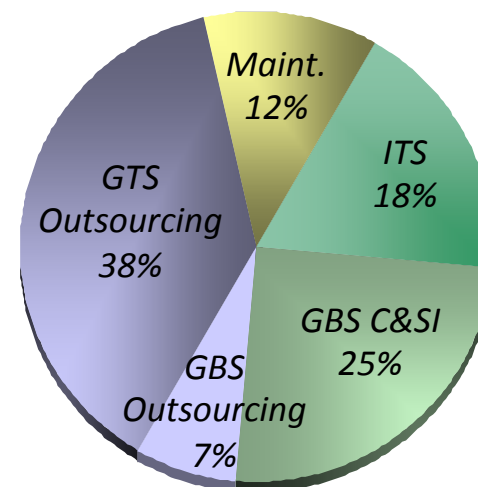
<u>GTS 4Q14 Revenue</u>	<u>Yr/Yr</u>	<u>Rptd</u>	<u>@CC</u>
GTS Outsourcing*		(10%)	1%
Integrated Technology Services		(2%)	4%
Maintenance*		(9%)	1%

<u>GBS 4Q14 Revenue</u>	<u>Yr/Yr</u>	<u>Rptd</u>	<u>@CC</u>
GBS Outsourcing		(7%)	(2%)
Consulting & Systems Integration		(9%)	(3%)

<u>Backlog*</u>	<u>4Q14</u>	<u>Yr/Yr</u>	<u>@CC</u>
	\$128B	(10%)	Flat

* Yr/Yr @CC excludes divested Customer Care BPO and System x businesses

4Q14 Revenue
(% of Total Services)



Software Segment

\$ in Billions

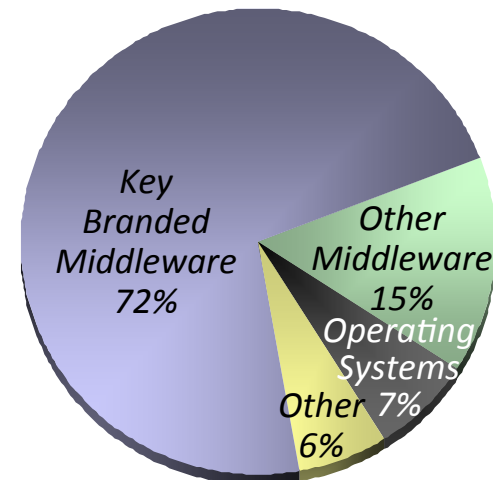
	<u>4Q14</u>	<u>B/(W) Yr/Yr</u> <u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$7.6	(7%)	(3%)
Gross Margin (External)	90.0%	(0.6 pts)	
PTI Margin*	44.7%	(2.3 pts)	

* Reflects Workforce Rebalancing charge of \$0.1B

4Q14 Revenue

	<u>Yr/Yr</u> <u>Rptd</u>	<u>@CC</u>
WebSphere	(6%)	(4%)
Information Management	(9%)	(6%)
Tivoli	(2%)	1%
Workforce Solutions	(12%)	(8%)
Rational	4%	10%
Key Branded Middleware	(6%)	(3%)
Total Middleware	(6%)	(2%)
Total Software	(7%)	(3%)

4Q14 Revenue
(% of Total Software)





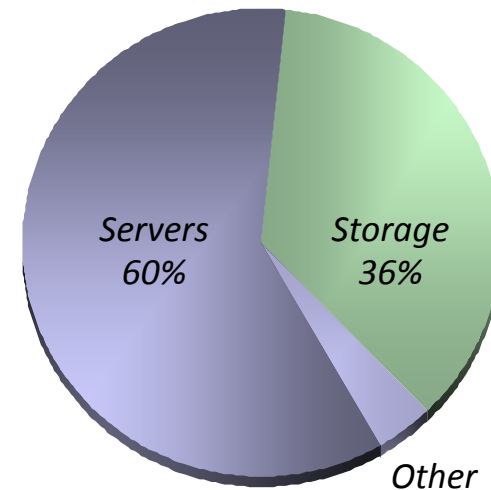
Systems & Technology Segment

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>4Q14</u>	<u>Rptd</u>	<u>@CC*</u>
Revenue (External)	\$2.4	(39%)	(12%)
Gross Margin (External)	49.6%	7.3 pts	
PTI Margin	15.5%	7.0 pts	

4Q14 Revenue

	<u>Yr/Yr</u>	
	<u>Rptd</u>	<u>@CC</u>
System z	(26%)	(23%)
Power Systems	(13%)	(11%)
Storage	(8%)	(5%)
Other	3%	3%
Total Systems & Technology*	(39%)	(12%)

4Q14 Revenue
(% of Total Sys & Tech)



* Yr/Yr @CC excludes System x divested business

Cash Flow Analysis

\$ in Billions	<u>4Q14</u>	<u>B/(W)</u> <u>Yr/Yr</u>	<u>FY14</u>	<u>B/(W)</u> <u>Yr/Yr</u>
Net Cash from Operations	\$6.1	(\$0.5)	\$16.9	(\$0.6)
Less: Global Financing Receivables	<u>_(1.5)</u>	<u>1.4</u>	<u>0.7</u>	<u>2.0</u>
Net Cash from Operations (excluding GF Receivables)	7.6	(1.9)	16.2	(2.6)
Net Capital Expenditures	<u>_(1.0)</u>	<u>0.1</u>	<u>_(3.8)</u>	<u>0.0</u>
Free Cash Flow (excluding GF Receivables)	6.6	(1.8)	12.4	(2.6)
Acquisitions	0.0	0.5	(0.7)	2.4
Divestitures	1.9	1.8	2.4	2.1
Dividends	(1.1)	(0.1)	(4.3)	(0.2)
Share Repurchases (Gross)	(0.1)	5.7	(13.7)	0.2
Non-GF Debt	(5.9)	(7.5)	(1.3)	(4.5)
Other (includes GF A/R & GF Debt)	<u>_(2.4)</u>	<u>_(0.5)</u>	<u>2.6</u>	<u>0.2</u>
Change in Cash & Marketable Securities	(\$1.1)	(\$1.9)	(\$2.6)	(\$2.5)

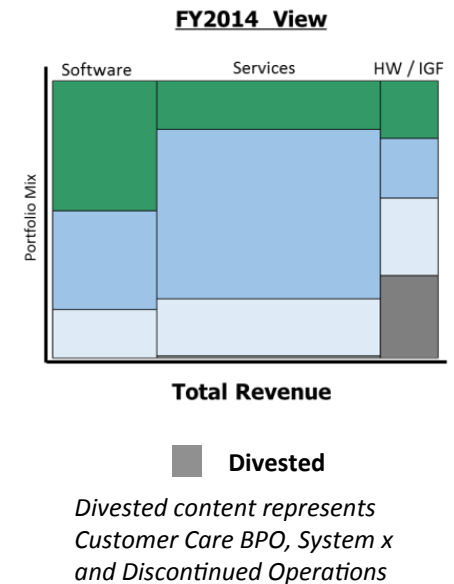
Balance Sheet Summary

\$ in Billions	<u>Dec. 13</u>	<u>Dec. 14</u>
Cash & Marketable Securities	\$11.1	\$8.5
Non-GF Assets*	76.5	71.7
Global Financing Assets	38.7	37.3
Total Assets	126.2	117.5
Other Liabilities	63.6	64.7
Non-GF Debt*	12.2	11.7
Global Financing Debt	27.5	29.1
Total Debt	39.7	40.8
Total Liabilities	103.3	105.5
Equity	22.9	12.0
Non-GF Debt / Capital	39%	59%
Global Financing Leverage	7.2	7.2

* Includes eliminations of inter-company activity

2014 Portfolio Summary

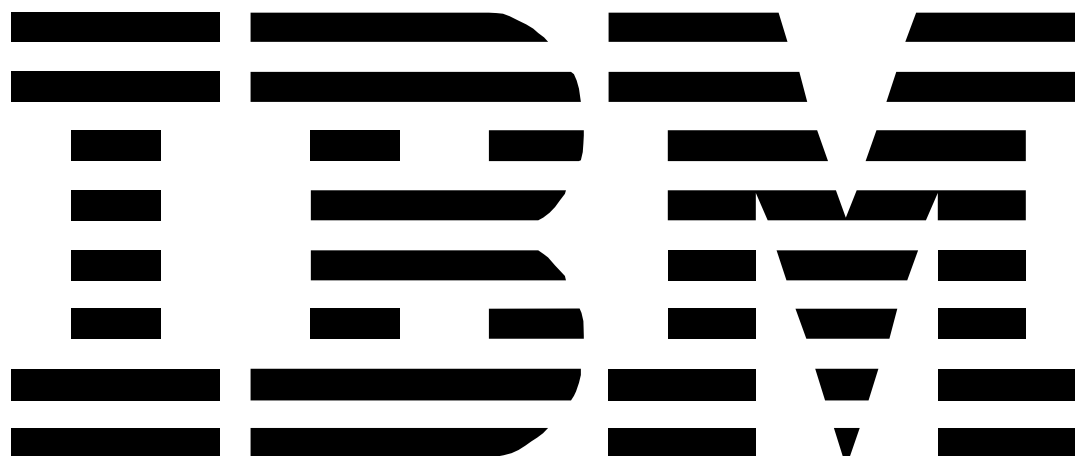
	Signposts	2014 Performance*
Strategic Imperatives 	<ul style="list-style-type: none"> Double-digit Revenue growth Maintain high mix of Software 	<ul style="list-style-type: none"> Revenue up 16% yr/yr <ul style="list-style-type: none"> Cloud +60% Mobile > 200% Analytics +7% Security +19% Software mix > overall IBM
Recurring Core Franchises 	<ul style="list-style-type: none"> Stable Revenue Margin Expansion 	<ul style="list-style-type: none"> Revenue down ~3% yr/yr PTI Margin down modestly <ul style="list-style-type: none"> Impacted by currency and mainframe cycle
High Value Transactional 	<ul style="list-style-type: none"> Maintain Margins Optimize Business Model 	<ul style="list-style-type: none"> GP Margin remains attractive at > 40% Reposition Systems to higher value, incl. Power 8/OpenPOWER



* Consistent with basis presented at May 2014 Investor Briefing, 2014 performance modeled on "Gross View" (inclusive of overlap with Strategic Imperatives), Recurring Core Franchises revenue growth modeled net of Strategic Imperatives

Summary

- Strategy addresses shift to high value areas of enterprise IT
 - Leverage broad portfolio to deliver solutions to clients
- Longer Term Trajectory
 - Continued strong growth in strategic imperatives
 - Margin expansion driven by shift to higher value
 - Capital allocation supports investments and shareholder returns
 - Ability to generate low single digit revenue growth,
high single digit Operating EPS growth and Free Cash Flow realization in 90's
- 2015 Expectation reflects some dynamics inconsistent with longer term trajectory
 - Expect Operating EPS \$15.75 - \$16.50; Free Cash Flow flat yr/yr
 - Exit 2015 as a higher value, higher margin business



Supplemental Materials

Some columns and rows in these materials, including the supplemental exhibits, may not add due to rounding

- Currency – Year/Year Comparison
- Supplemental Segment Information – Global Services
- Supplemental Segment Information – Systems & Technology, Software
- Global Financing Portfolio
- Key Financial Metrics – FY 2014
- Revenue by Geography – FY 2014
- Revenue and Gross Profit Margin by Segment – FY 2014
- Expense Summary – FY 2014
- Cash Flow (FAS 95)
- Retirement-Related Charges
- Non-GAAP Supplemental Materials
 - Operating (Non-GAAP) Earnings Per Share and Related Income Statement Items, Constant Currency
 - Cash Flow, Debt-to-Capital Ratio, Customer Care Outsourcing and System x Business Divestiture
 - Reconciliation of Operating Earnings Per Share
 - GAAP to Operating (Non-GAAP) Bridge – 4Q 2014
 - GAAP to Operating (Non-GAAP) Bridge – 4Q 2013
 - GAAP to Operating (Non-GAAP) Bridge – FY 2014
 - GAAP to Operating (Non-GAAP) Bridge – FY 2013
 - GAAP to Operating (Non-GAAP) Bridge – 4Q 2014 and 4Q 2013
 - GAAP to Operating (Non-GAAP) Bridge – FY 2014 and FY 2013
 - Reconciliation of B/(W) Yr/Yr Expense Drivers – 4Q14
 - Reconciliation of B/(W) Yr/Yr Expense Drivers – FY14
 - Reconciliation of Free Cash Flow (excluding GF Receivables) – 3 months ended 9/30/14
 - Reconciliation of Debt-to-Capital Ratio
 - Reconciliation of Revenue Growth
 - Reconciliation of Revenue Growth
 - Reconciliation of Revenue Growth
- Historical Information – Continuing Operations
 - Systems and Technology Segment – FY 2012–1H 2014
 - IBM Operating Results (Non-GAAP) – FY 2012–1H 2014
 - IBM Continuing Operations – FY 2012–1H 2014

Currency – Year/Year Comparison

Quarterly Averages per US \$

	<u>3Q14</u>	<u>Yr/Yr</u>	<u>4Q14</u>	<u>Yr/Yr</u>	<u>1/16 Spot</u>	<u>Yr/Yr @ 1/16 Spot</u>				
						<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>FY15</u>
Euro	0.76	0%	0.80	(9%)	0.87	(19%)	(19%)	(15%)	(9%)	(15%)
Pound	0.60	7%	0.63	(2%)	0.66	(10%)	(11%)	(10%)	(5%)	(9%)
Yen	104	(5%)	115	(14%)	118	(14%)	(15%)	(13%)	(3%)	(11%)

IBM Revenue Impact	(0.4 pts)	(4.4 pts)	(6-7 pts)	(7 pts)	(6 pts)	(3 pts)	(5-6 pts)
--------------------	-----------	-----------	-----------	---------	---------	---------	-----------

Prior View (Oct 2014)	(3 pts)	(2-3 pts)	(3 pts)
-----------------------	---------	-----------	---------

	<u>(US\$B)</u>	<u>Yr/Yr</u>
Revenue As Reported	\$24.1	(12%)
Currency Impact	(1.2)	(4.4 pts)
Revenue @CC		(8%)

Supplemental Segment Information – 4Q 2014

Global Services Revenue

	<u>Revenue Growth</u>	
	<u>Yr/Yr</u>	<u>@CC</u>
GTS Outsourcing*	(10%)	1%
Integrated Tech Services	(2%)	4%
Maintenance*	(9%)	1%
Total GTS*	(8%)	2%
GBS Outsourcing	(7%)	(2%)
GBS C&SI	(9%)	(3%)
Total GBS	(8%)	(3%)
Total Outsourcing*	(9%)	Flat
Total Transactional	(6%)	Flat
Maintenance*	(9%)	1%

Global Services Backlog / Signings

	<u>\$ in Billions</u>		<u>Backlog</u>	
	<u>4Q14</u>	<u>Yr/Yr</u>	<u>@CC</u>	
Total Backlog*	\$128	(10%)	Flat	
<u>Change in Backlog due to Currency</u>				
Quarter-to-Quarter	(\$5)			
Year-to-Year	(\$10)			
Outsourcing Backlog	\$81	(11%)	(3%)	
-adj. for Customer Care BPO			1%	
<u>Signings</u>				
	<u>4Q14</u>	<u>Yr/Yr</u>	<u>@CC</u>	
Outsourcing	\$11.2	21%	31%	
- GTS O/S, GBS O/S (AMS)				
Transactional	7.2	(13%)	(7%)	
- ITS, Consulting & AMS SI (incl. US Federal)				
Total Signings	\$18.4	5%	13%	

* Yr/Yr @CC excludes divested Customer Care BPO and System x businesses

Note: Actual backlog calculated using December 31 currency spot rates

Supplemental Segment Information – 4Q 2014

Systems & Technology

	<u>Revenue Growth</u>		
	<u>Yr/Yr</u>	<u>@CC</u>	<u>GP%</u>
System z	(26%)	(23%)	↑
Power Systems	(13%)	(11%)	↓
Storage	(8%)	(5%)	↓
Other	3%	3%	
Total Sys & Tech*	(39%)	(12%)	

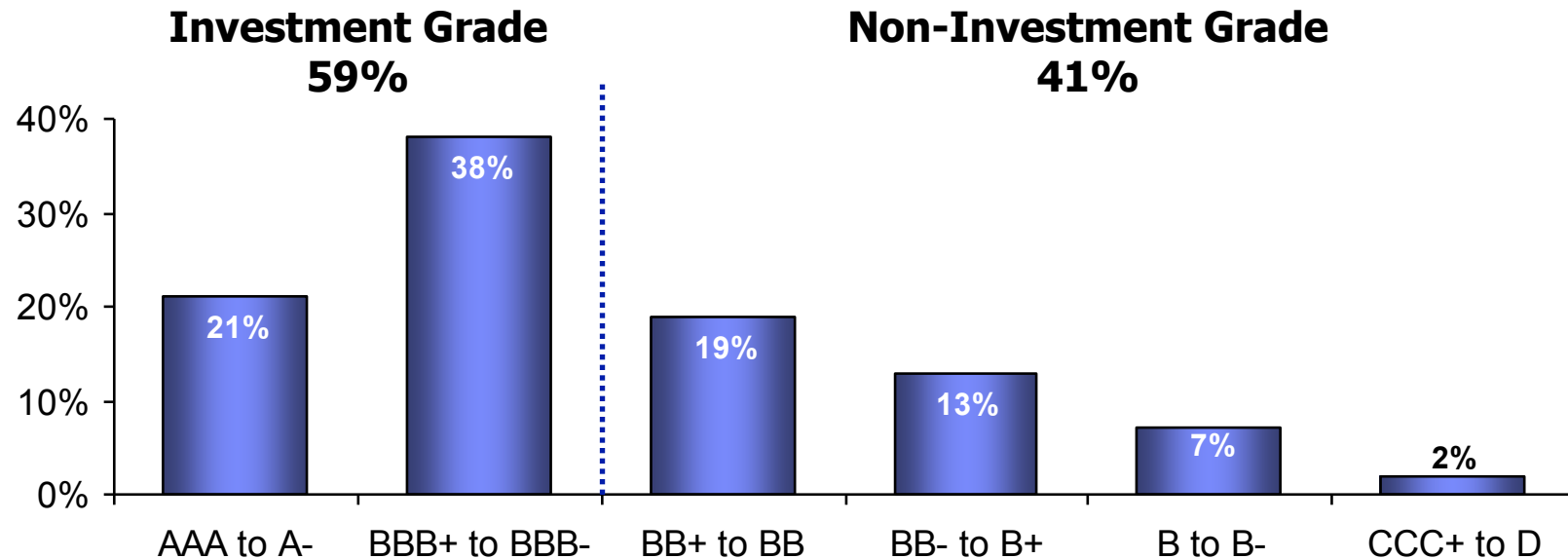
Software

	<u>Revenue Growth</u>	
	<u>Yr/Yr</u>	<u>@CC</u>
WebSphere Family	(6%)	(4%)
Information Management	(9%)	(6%)
Tivoli	(2%)	1%
Social Workforce Sols.	(12%)	(8%)
Rational	<u>4%</u>	<u>10%</u>
Key Branded Middleware	(6%)	(3%)
Other Middleware	<u>(2%)</u>	<u>2%</u>
Total Middleware	(6%)	(2%)
Operating Systems	(19%)	(16%)
Other Software/Services	<u>(8%)</u>	<u>(5%)</u>
Total Software	(7%)	(3%)

* Yr/Yr @CC excludes System x divested business

Global Financing Portfolio

4Q14 – \$30.4B Net External Receivables



	4Q14	3Q14	4Q13
Identified Loss Rate	1.6%	1.5%	0.8%
Anticipated Loss Rate	0.3%	0.3%	0.4%
Reserve Coverage	1.9%	1.8%	1.2%
Client Days Delinquent Outstanding	4.1	4.0	3.3
Commercial A/R > 30 days	\$26M	\$28M	\$43M

Key Financial Metrics – FY 2014

\$ in Billions, except EPS

P&L Highlights

	<u>FY14</u>	<u>B/(W) Yr/Yr</u>	<u>P&L Ratios (Operating)</u>	<u>FY14</u>	<u>B/(W) Yr/Yr</u>
Revenue	\$92.8	(6%)	GP Margin	50.6%	0.1 pts
@CC excl. divestitures*		(1%)	PTI Margin	22.8%	0.3 pts
PTI – Operating	\$21.1	(4%)	Tax Rate	21.0%	(4.0 pts)
NI – Operating	\$16.7	(9%)	NI Margin	18.0%	(0.7 pts)
EPS – Operating	\$16.53	(1%)			

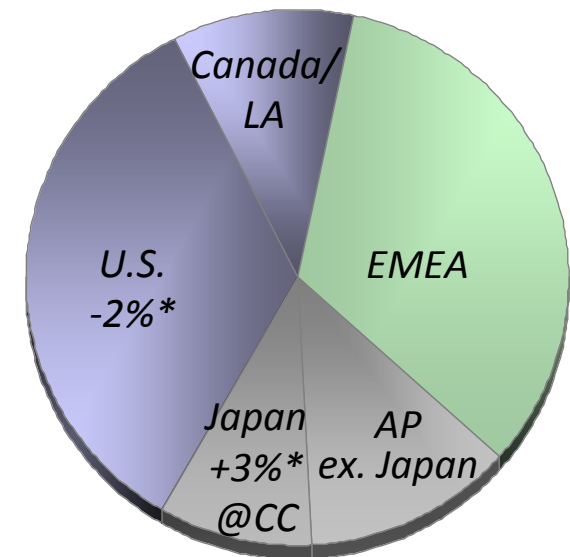
* Divested Customer Care BPO and System x businesses

Cash Highlights

	<u>FY14</u>
Free Cash Flow (excl. GF Receivables)	\$12.4
Share Repurchase (Gross)	13.7
Dividends	4.3
Cash Balance @ Dec. 31	8.5

Revenue by Geography – FY 2014

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>FYQ14</u>	<u>Rptd</u>	<u>@CC*</u>
Americas	\$41.4	(4%)	(1%)
Europe/ME/A	30.7	(3%)	(1%)
Asia Pacific	20.2	(12%)	(4%)
IBM	\$92.8	(6%)	(1%)
<i>Major Markets</i>		<i>(4%)</i>	<i>(1%)</i>
<i>Growth Markets</i>		<i>(10%)</i>	<i>(3%)</i>
<i>BRIC Countries</i>		<i>(11%)</i>	<i>(5%)</i>



* Yr/Yr @CC normalized for divested Customer Care BPO and System x businesses for full year

Revenue and Gross Profit Margin by Segment – FY 2014

\$ in Billions	Revenue			Operating Gross Profit Margin	
	B/(W) Yr/Yr			B/(W)	
	<u>FY14</u>	<u>Rptd</u>	<u>@CC</u>	<u>FY14</u>	<u>Yr/Yr Pts</u>
Global Technology Services*	\$37.1	(4%)	2%	38.3%	0.2 pts
Global Business Services	17.8	(3%)	(1%)	30.8%	0.0 pts
Software	25.4	(2%)	(1%)	88.6%	(0.2 pts)
Systems & Technology*	10.0	(23%)	(17%)	39.5%	(1.3 pts)
Global Financing	2.0	1%	3%	49.4%	3.7 pts
Total Revenue & Op. GP Margin*	\$92.8	(6%)	(1%)	50.6%	0.1 pts

* Yr/Yr Revenue @CC excludes divested Customer Care BPO and System x businesses for full year

Expense Summary – FY 2014

\$ in Billions	<u>FY14</u>	<u>B/(W) Yr/Yr</u>	<u>B/(W) Yr/Yr Drivers</u>		
			<u>Currency</u>	<u>Acq.*</u>	<u>Base</u>
SG&A – Operating	\$22.5	1%	2 pts	(1 pts)	0 pts
RD&E – Operating	5.5	3%	1 pts	(2 pts)	4 pts
IP and Development Income	(0.7)	(10%)			
Other (Income)/Expense	(1.9)	nm			
Interest Expense	<u>0.5</u>	(20%)			
Operating Expense & Other Income	\$25.9	6%	1 pts	(2 pts)	7 pts

* Includes acquisitions made in the last twelve months, net of non-operating acquisition-related charges

Cash Flow (FAS 95)

\$ in Billions

	<u>4Q14</u>	<u>4Q13</u>	<u>FY14</u>	<u>FY13</u>
Net Income from Operations	\$5.5	\$6.2	\$12.0	\$16.5
Depreciation / Amortization of Intangibles	1.0	1.2	4.5	4.7
Stock-based Compensation	0.1	0.2	0.5	0.6
Working Capital / Other	0.9	1.9	(4.3)	(3.0)
Global Financing A/R	(1.5)	(2.9)	0.7	(1.3)
Loss on Microelectronics Business Disposal	0.0	0.0	3.4	0.0
Net Cash provided by Operating Activities	6.1	6.5	16.9	17.5
Capital Expenditures, net of payments & proceeds	(1.0)	(1.1)	(3.8)	(3.8)
Divestitures, net of cash transferred	1.9	0.1	2.4	0.3
Acquisitions, net of cash acquired	0.0	(0.5)	(0.7)	(3.1)
Marketable Securities / Other Investments, net	(2.1)	(1.4)	(0.9)	(0.8)
Net Cash used in Investing Activities	(1.2)	(2.9)	(3.0)	(7.3)
Debt, net of payments & proceeds	(4.6)	3.6	1.8	7.0
Dividends	(1.1)	(1.0)	(4.3)	(4.1)
Common Stock Repurchases (Gross)	(0.1)	(5.8)	(13.7)	(13.9)
Common Stock Transactions - Other	0.2	0.2	0.7	1.1
Net Cash used in Financing Activities	(5.7)	(3.0)	(15.5)	(9.9)
Effect of Exchange Rate changes on Cash	(0.2)	0.0	(0.7)	0.0
Net Change in Cash & Cash Equivalents	(\$1.1)	\$0.6	(\$2.2)	\$0.3

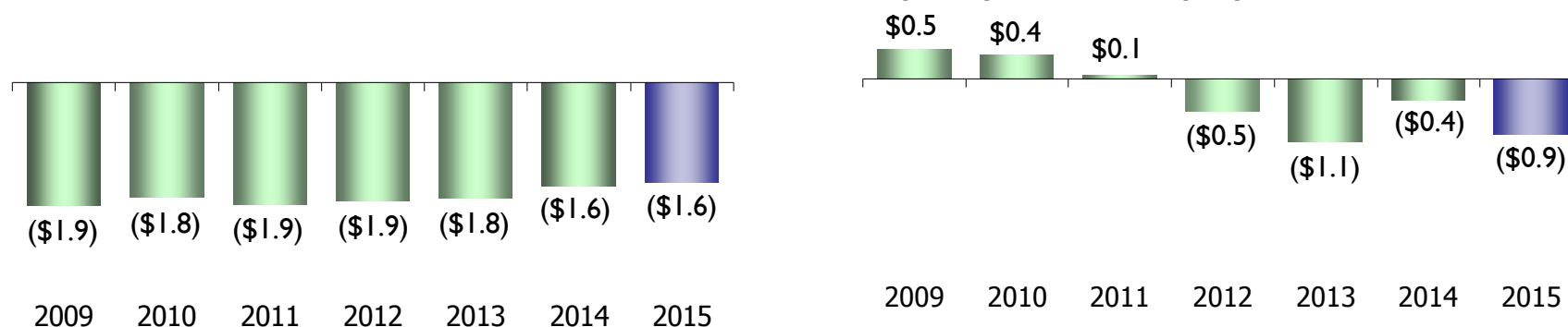
Retirement-Related Charges

	<u>Funded Status*</u>		<u>Expected ROA</u>	<u>Actual ROA</u>	<u>Discount Rate</u>
	<u>US</u>	<u>WW</u>	<u>WW</u>	<u>WW</u>	<u>WW</u>
YE 2013	109%	102%	7.2%	7.1%	3.9%
YE 2014	102%	97%	6.7%	12.2%	3.1%

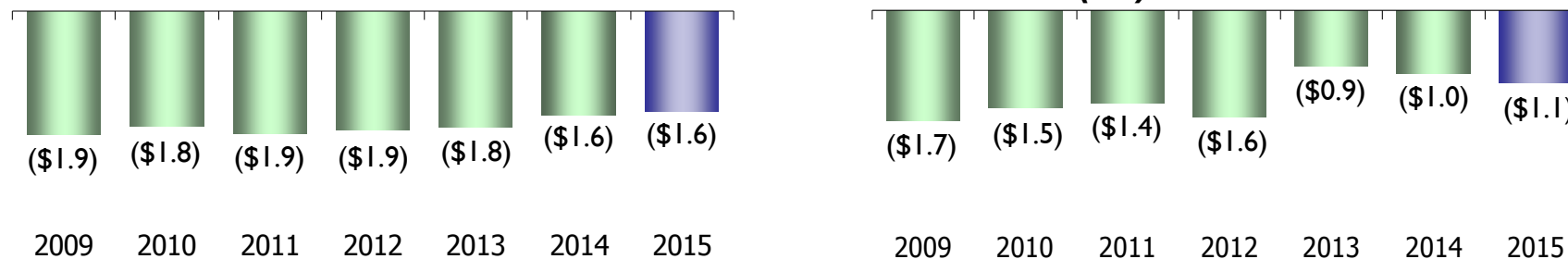
Operating

Non-Operating

Pre-Tax Retirement-Related (Cost) / Income (\$B)



Retirement-Related Cash Drivers (\$B)



*Tax-qualified plans

Actual

Projection based on Dec '14 assumptions

Non-GAAP Supplemental Materials

In an effort to provide investors with additional information regarding the company's results as determined by generally accepted accounting principles (GAAP), the company also discusses, in its earnings press release and earnings presentation materials, the following Non-GAAP information which management believes provides useful information to investors.

Operating (Non-GAAP) Earnings Per Share and Related Income Statement Items

Management presents certain financial measures from continuing operations excluding the effects of certain acquisition-related charges, non-operating retirement-related costs and any related tax impacts. Management uses the term "operating" to describe this view of the company's financial results and other financial information. For acquisitions, these measures exclude the amortization of purchased intangible assets and acquisition-related charges such as in-process research and development, transaction costs, applicable restructuring and related expenses, and tax charges related to acquisition integration. For retirement-related costs, the company has characterized certain items as operating and others as non-operating. The company includes service cost, amortization of prior service cost and the cost of defined contribution plans in its operating results. Non-operating retirement-related costs include interest cost, expected return on plan assets, amortized actuarial gains/losses, the impacts of any plan curtailments/settlements, multi-employer plan costs, pension insolvency costs, and other costs. Non-operating costs primarily relate to changes in pension plan assets and liabilities which are tied to market performance, and management considers these costs to be outside the operational performance of the business. Management's calculation of these operating measures, as presented, may differ from similarly titled measures reported by other companies.

Overall, management believes that providing investors with an operating view as described above provides increased transparency and clarity into both the operational results of the business and the performance of the company's pension plans, improves visibility to management decisions and their impacts on operational performance, enables better comparison to peer companies, and allows the company to provide a long term strategic view of the business going forward. For its earnings per share guidance, the company is utilizing an operating view to establish its objectives and track its progress. The company's segment financial results and performance reflect operating earnings, consistent with the company's management and measurement system.

Constant Currency

Management refers to growth rates at constant currency or adjusting for currency so that certain financial results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of the company's business performance. Financial results adjusted for currency are calculated by translating current period activity in local currency using the comparable prior year period's currency conversion rate. This approach is used for countries where the functional currency is the local currency. Generally, when the dollar either strengthens or weakens against other currencies, the growth at constant currency rates or adjusting for currency will be higher or lower than growth reported at actual exchange rates.

Non-GAAP Supplemental Materials

Cash Flow

Management uses a free cash flow measure to evaluate the company's operating results, plan share repurchase levels, evaluate strategic investments and assess the company's ability and need to incur and service debt. The entire free cash flow amount is not necessarily available for discretionary expenditures. The company defines free cash flow as net cash from operating activities less the change in Global Financing receivables and net capital expenditures, including the investment in software. A key objective of the Global Financing business is to generate strong returns on equity, and increasing receivables is the basis for growth. Accordingly, management considers Global Financing receivables as a profit-generating investment, not as working capital that should be minimized for efficiency. Therefore, management includes presentations of both free cash flow and cash flow from operations that exclude the effect of Global Financing receivables.

Debt-to-Capital Ratio

Management presents its debt-to-capital ratio excluding the Global Financing business. A financing business is managed on a leveraged basis. The company funds its Global Financing segment using a debt-to-equity ratio target of approximately 7 to 1. Given this significant leverage, the company presents a debt-to-capital ratio which excludes the Global Financing segment debt and equity because the company believes this is more representative of the company's core business operations.

Customer Care Outsourcing and System x Business Divestiture

On September 10, 2013, the company announced that it had signed a definitive agreement with SYNnex for the sale of IBM's worldwide customer care process outsourcing services business and on January 23, 2014, the company announced that it had signed a definitive agreement with Lenovo for the sale of IBM's x86 server business. Management presents certain financial results excluding the effects of the customer care process outsourcing services business and/or the x86 server business divestitures. Management believes that presenting financial information without either or both of these items is more representative of operational performance and provides additional insight into, and clarifies the basis for, historical and/or future performance, which may be more useful to investors.

Non-GAAP Supplemental Materials

Reconciliation of Operating Earnings Per Share

	2015 Expectations
IBM GAAP EPS	\$14.35 - \$15.10
IBM Operating EPS (Non-GAAP)	\$15.75 - \$16.50

Adjustments

Acquisition-Related Charges *	\$0.74
Amortization of Purchased Intangibles	\$0.72
Other Acquisition-Related Charges	\$0.02
Non-Operating Retirement-Related Items	\$0.66

* Includes acquisitions through December 31, 2014

The above serves to reconcile the Non-GAAP financial information contained in Full Year 2015 Expectations discussion in the company's earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

GAAP to Operating (Non-GAAP) Bridge – 4Q 2014

\$ in Millions, except EPS

	<u>GAAP</u>	<u>Acquisition-related Adjustments*</u>	<u>Retirement-related Adjustments**</u>	<u>Operating (Non-GAAP)</u>
Gross Profit	\$12,862	\$101	\$33	\$12,996
SG&A	6,034	(94)	(95)	5,845
RD&E	1,320	-	21	1,341
Other Income & Expense	(1,506)	(1)	-	(1,506)
Total Operating Expense & Other Income	5,767	(95)	(74)	5,598
Pre-Tax Income from Continuing Operations	7,094	196	107	7,398
Tax ***	1,580	10	24	1,613
Net Income from Continuing Operations	5,515	186	84	5,785
Diluted Earnings Per Share from Continuing Operations	\$5.54	\$0.19	\$0.08	\$5.81

* Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges

** Includes retirement related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance

***The tax impact on the Operating (Non-GAAP) Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

The above serves to reconcile the Non-GAAP financial information contained in the "2014 Summary", "Key Financial Metrics" and "Expense Summary" discussions in the company's earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

GAAP to Operating (Non-GAAP) Bridge – 4Q 2013

\$ in Millions, except EPS

	<u>GAAP</u>	<u>Acquisition-related Adjustments*</u>	<u>Retirement-related Adjustments**</u>	<u>Operating (Non-GAAP)</u>
Gross Profit	\$14,337	\$105	\$154	\$14,596
SG&A	5,987	(101)	(90)	5,796
RD&E	1,452	-	(14)	1,438
Other Income & Expense	(116)	(8)	-	(124)
Total Operating Expense & Other Income	7,235	(109)	(104)	7,023
Pre-Tax Income from Continuing Operations	7,102	213	258	7,574
Tax ***	885	(55)	94	925
Net Income from Continuing Operations	6,216	268	164	6,649
Diluted Earnings Per Share from Continuing Operations	\$5.76	\$0.25	\$0.15	\$6.16

* Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges.

** Includes retirement related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance.

***The tax impact on the Operating (Non-GAAP) Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

The above serves to reconcile the Non-GAAP financial information contained in the "2014 Summary", "Key Financial Metrics" and "Expense Summary" discussions in the company's earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

GAAP to Operating (Non-GAAP) Bridge – FY 2014

\$ in Millions, except EPS

	<u>GAAP</u>	<u>Acquisition-related Adjustments*</u>	<u>Retirement-related Adjustments**</u>	<u>Operating (Non-GAAP)</u>
Gross Profit	\$46,407	\$416	\$173	\$46,996
SG&A	23,180	(385)	(257)	22,537
RD&E	5,437	-	77	5,514
Other Income & Expense	(1,938)	(1)	-	(1,939)
Total Operating Expense & Other Income	26,421	(386)	(180)	25,855
Pre-Tax Income from Continuing Operations	19,986	803	353	21,142
Tax ***	4,234	133	73	4,440
Net Income from Continuing Operations	15,751	670	280	16,702
Diluted Earnings Per Share from Continuing Operations	\$15.59	\$0.66	\$0.28	\$16.53

* Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges

** Includes retirement related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance

***The tax impact on the Operating (Non-GAAP) Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

The above serves to reconcile the Non-GAAP financial information contained in the "2014 Summary", "Key Financial Metrics – FY 2014" and Full-Year 2014 Results discussions in the company's earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

GAAP to Operating (Non-GAAP) Bridge – FY 2013

\$ in Millions, except EPS

	<u>GAAP</u>	<u>Acquisition-related Adjustments*</u>	<u>Retirement-related Adjustments**</u>	<u>Operating (Non-GAAP)</u>
Gross Profit	\$48,684	\$394	\$629	\$49,706
SG&A	23,451	(394)	(376)	22,680
RD&E	5,743	-	(57)	5,686
Other Income & Expense	(333)	(16)	-	(349)
Total Operating Expense & Other Income	28,440	(410)	(433)	27,597
Pre-Tax Income from Continuing Operations	20,244	804	1,062	22,110
Tax ***	3,363	57	333	3,753
Net Income from Continuing Operations	16,881	747	729	18,356
Diluted Earnings Per Share from Continuing Operations	\$15.30	\$0.68	\$0.66	\$16.64

* Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges.

** Includes retirement related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance.

***The tax impact on the Operating (Non-GAAP) Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

The above serves to reconcile the Non-GAAP financial information contained in the "2014 Summary", "Key Financial Metrics – FY 2014" and Full-Year 2014 Results discussions in the company's earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

GAAP to Operating (Non-GAAP) Bridge – 4Q 2014 and 4Q 2013

<u>4Q 2014</u>	<u>GAAP</u>	<u>Acquisition- related Adjustments*</u>	<u>Retirement-related Adjustments **</u>	<u>Operating (Non-GAAP)</u>
Gross Profit Margin from Continuing Operations	53.3%	0.4 pts	0.1 pts	53.9%
PTI Margin from Continuing Operations	29.4%	0.8 pts	0.4 pts	30.7%
Tax Rate ***	22.3%	(0.5 pts)	0.0 pts	21.8%
Net Income Margin from Continuing Operations	22.9%	0.8 pts	0.3 pts	24.0%

4Q 2013

Gross Profit Margin from Continuing Operations	52.4%	0.4 pts	0.6 pts	53.3%
PTI Margin from Continuing Operations	25.9%	0.8 pts	0.9 pts	27.7%
Tax Rate ***	12.5%	(1.1 pts)	0.8 pts	12.2%
Net Income Margin from Continuing Operations	22.7%	1.0 pts	0.6 pts	24.3%

* Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges

** Includes retirement related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance

***The tax impact on the Operating (Non-GAAP) Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

The above serves to reconcile the Non-GAAP financial information contained in the "Key Financial Metrics" and "Revenue and Gross Profit Margin by Segment" discussion in the company's earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

GAAP to Operating (Non-GAAP) Bridge – FY 2014 and FY 2013

<u>FY 2014</u>	<u>GAAP</u>	<u>Acquisition- related Adjustments*</u>	<u>Retirement-related Adjustments **</u>	<u>Operating (Non-GAAP)</u>
Gross Profit Margin from Continuing Operations	50.0%	0.4 pts	0.2 pts	50.6%
PTI Margin from Continuing Operations	21.5%	0.9 pts	0.4 pts	22.8%
Tax Rate ***	21.2%	(0.2 pts)	0.0 pts	21.0%
Net Income Margin from Continuing Operations	17.0%	0.7 pts	0.3 pts	18.0%

FY 2013

Gross Profit Margin from Continuing Operations	49.5%	0.4 pts	0.6 pts	50.5%
PTI Margin from Continuing Operations	20.6%	0.8 pts	1.1 pts	22.5%
Tax Rate ***	16.6%	(0.4 pts)	0.7 pts	17.0%
Net Income Margin from Continuing Operations	17.2%	0.8 pts	0.7 pts	18.7%

* Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges

** Includes retirement related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance

***The tax impact on the Operating (Non-GAAP) Pre-Tax Income from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.

The above serves to reconcile the Non-GAAP financial information contained in the "Key Financial Metrics - FY 2014" and "Revenue and Gross Profit Margin by Segment – FY 2014" discussion in the company's earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

Reconciliation of B/(W) Yr/Yr Expense Drivers – 4Q 2014

	<u>GAAP</u>	<u>Non-GAAP Adjustments</u>	<u>Operating (Non-GAAP)</u>
SG&A			
Currency	5 pts	0 pts	5 pts
Acquisitions	(1 pts)	0 pts	(1 pts)
Base	(4 pts)	0 pts	(4 pts)
RD&E			
Currency	2 pts	0 pts	2 pts
Acquisitions	(2 pts)	0 pts	(2 pts)
Base	8 pts	(2 pts)	6 pts
Operating Expense & Other Income			
Currency	5 pts	0 pts	4 pts
Acquisitions	(1 pts)	0 pts	(1 pts)
Base	17 pts	0 pts	17 pts

The above serves to reconcile the Non-GAAP financial information contained in the “Expense Summary” discussion in the company’s earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

Reconciliation of B/(W) Yr/Yr Expense Drivers – FY 2014

	<u>GAAP</u>	<u>Non-GAAP Adjustments</u>	<u>Operating (Non-GAAP)</u>
SG&A			
Currency	2 pts	0 pts	2 pts
Acquisitions	(2 pts)	0 pts	(1 pts)
Base	1 pts	(1 pts)	0 pts
RD&E			
Currency	1 pts	0 pts	1 pts
Acquisitions	(2 pts)	0 pts	(2 pts)
Base	7 pts	(2 pts)	4 pts
Operating Expense & Other Income			
Currency	1 pts	0 pts	1 pts
Acquisitions	(2 pts)	0 pts	(2 pts)
Base	8 pts	(1 pts)	7 pts

The above serves to reconcile the Non-GAAP financial information contained in the “Expense Summary – FY 2014” discussion in the company’s earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

Reconciliation of Free Cash Flow (excluding GF Receivables)

\$ in Billions	3 months ended <u>9/30/14</u>
Net Cash from Operations	\$3.9
Less: Global Financing Receivables	<u>0.7</u>
Net Cash from Operations (excluding GF Receivables)	3.3
Net Capital Expenditures	<u>(1.0)</u>
Free Cash Flow (excluding GF Receivables)	\$2.2

The above serves to reconcile the Non-GAAP financial information contained in the “Cash Flow Analysis” discussion in the company’s earnings presentation. See Slide 28 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

Reconciliation of Debt-to-Capital Ratio

	<u>Dec. 2014</u>	<u>Dec. 2013</u>
Non-Global Financing Debt / Capital	59%	39%
IBM Consolidated Debt / Capital	77%	63%

The above serves to reconcile the Non-GAAP financial information contained in the “Balance Sheet Summary” discussion in the company’s earnings presentation. See Slide 28 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth

	<u>4Q14 Yr/Yr</u>			<u>FY14 Yr/Yr</u>		
		As Reported excl. Divested Businesses	At Constant Currency excl. Divested Businesses		As Reported excl. Divested Businesses	At Constant Currency excl. Divested Businesses
	<u>As Reported</u>		<u>As Reported</u>	<u>As Reported</u>		<u>As Reported</u>
IBM	(12%)	(7%)	(2%)	(6%)	(3%)	(1%)
Americas	(9%)	(6%)	(4%)	(4%)	(2%)	(1%)
U.S.	(7%)	(4%)	-	(4%)	(2%)	-
Europe/ME/A	(13%)	(8%)	(1%)	(3%)	0%	(1%)
Asia Pacific	(17%)	(9%)	(2%)	(12%)	(9%)	(4%)
China	(20%)	(2%)	(1%)			
Japan	(14%)	(10%)	2%	(8%)	(5%)	3%
Major Markets	(11%)	(7%)	(2%)	(4%)	(2%)	(1%)
Growth Markets	(16%)	(7%)	(2%)	(10%)	(7%)	(3%)
BRIC Countries	(21%)	(12%)	(8%)	(11%)	(8%)	(5%)

The above serves to reconcile the Non-GAAP financial information contained in the "2014 Summary", "Revenue by Geography" and "Revenue by Geography – FY 14" discussions in the company's earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth

	<u>4Q14 Yr/Yr</u>			<u>FY14 Yr/Yr</u>		
	<u>As Reported</u>	<u>As Reported excl. Divested Businesses</u>	<u>At Constant Currency excl. Divested Businesses</u>	<u>As Reported</u>	<u>As Reported excl. Divested Businesses</u>	<u>At Constant Currency excl. Divested Businesses</u>
Global Services	(8%)	(6%)	Flat			
Global Technology Services	(8%)	(4%)	2%	(4%)	(1%)	2%
GTS Outsourcing	(10%)	(5%)	1%			
Maintenance	(9%)	(5%)	1%			
Total Outsourcing	(9%)	(6%)	Flat			
Systems & Technology	(39%)	(15%)	(12%)	(23%)	(18%)	(17%)

	<u>FY14 Yr/Yr</u>	
	<u>As Reported</u>	<u>At Constant Currency</u>
WebSphere	3%	4%

The above serves to reconcile the Non-GAAP financial information contained in the "Revenue and Gross Profit Margin by Segment", "Services Segment", "Systems & Technology Segment", "Software Segment", "Revenue and Gross Profit Margin by Segment- FY 2014" and "Supplemental Segment Information -4Q" discussions in the company's earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth

3Q14 Yr/Yr

	<u>As Reported</u>	<u>As Reported excl. Divested Businesses</u>	<u>At Constant Currency excl. Divested Businesses</u>
Growth Markets	(6%)	(5%)	(4%)

The above serves to reconcile the Non-GAAP financial information contained in the “Revenue by Geography” discussions in the company’s earnings presentation. See Slide 27 of this presentation for additional information on the use of these Non-GAAP financial measures.

Systems and Technology Segment – FY 2012-1H 2014

Continuing Operations

\$ in Millions	<u>FY12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>	<u>4Q13</u>	<u>FY13</u>	<u>1Q14</u>	<u>2Q14</u>	<u>1H14</u>
External Revenue	\$16,034	\$2,799	\$3,378	\$2,864	\$3,947	\$12,988	\$2,143	\$3,014	\$5,157
Internal Revenue	676	120	135	168	170	593	168	190	358
Total Revenue	16,710	2,919	3,513	3,032	4,117	13,581	2,311	3,204	5,515
Pre-Tax Income / (Loss)	1,866	(202)	78	(8)	346	213	(457)	202	(255)
PTI Income Margin	11.2%	(6.9%)	2.2%	(0.3%)	8.4%	1.6%	(19.8%)	6.3%	(4.6%)
GP% (External)	43.4%	37.8%	42.4%	39.9%	42.2%	40.8%	34.0%	39.7%	37.4%

IBM Operating Results (Non-GAAP) – FY 2012-1H 2014

Operating “Continuing Operations” (Non-GAAP)

\$ in Millions, except EPS	<u>FY12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>	<u>4Q13</u>	<u>FY13</u>	<u>1Q14</u>	<u>2Q14</u>	<u>1H14</u>
Gross Profit	51,001	10,993	12,431	11,686	14,596	49,706	10,783	12,195	22,978
SG&A	22,820	5,368	6,457	5,060	5,796	22,680	6,087	5,468	11,555
RD&E	5,837	1,497	1,409	1,342	1,438	5,686	1,419	1,381	2,800
Other Income & Expense	(857)	(68)	(92)	(64)	(124)	(349)	(128)	(202)	(330)
Total Operating Expense & Other Income	27,184	6,707	7,624	6,243	7,023	27,597	7,276	6,591	13,868
Pre-Tax Income	23,817	4,286	4,807	5,443	7,574	22,110	3,507	5,603	9,110
Provision of Income Tax	5,795	781	1,089	958	925	3,753	717	1,147	1,865
Net Income (Operating “Continued Operations”)	18,022	3,505	3,718	4,485	6,649	18,356	2,790	4,456	7,246
Operating Earnings per share from Continuing Operations (Fully Diluted)	\$15.60	\$3.12	\$3.35	\$4.08	\$6.16	\$16.64	\$2.68	\$4.43	\$7.08

Operating “Continuing Operations” (Non-GAAP) excludes acquisitions-related adjustments and retirement-related adjustments as previously reported in the Company’s Forms 10-K and 10-Qs filed with SEC.

IBM Continuing Operations – FY 2012-1H 2014

Continuing Operations (GAAP)

\$ in Millions, except EPS	<u>FY12</u>	<u>1Q13</u>	<u>2Q13</u>	<u>3Q13</u>	<u>4Q13</u>	<u>FY13</u>	<u>1Q14</u>	<u>2Q14</u>	<u>1H14</u>
Revenue	\$102,874	\$23,101	\$24,544	\$23,338	\$27,385	\$98,367	\$22,236	\$24,047	\$46,283
Gross Profit	50,361	10,734	12,184	11,429	14,337	48,684	10,627	12,044	22,671
SG&A	23,463	5,564	6,640	5,260	5,987	23,451	6,272	5,593	11,865
RD&E	5,816	1,513	1,422	1,356	1,452	5,743	1,402	1,361	2,763
Other Income & Expense	(843)	(62)	(92)	(63)	(116)	(333)	(127)	(202)	(330)
Total Operating Expense & Other Income	27,821	6,926	7,821	6,458	7,235	28,440	7,444	6,696	14,140
Pre-Tax Income	22,540	3,808	4,363	4,972	7,102	20,244	3,183	5,348	8,531
Provision of Income Tax	5,541	647	998	832	885	3,363	653	1,096	1,749
Income from Continuing Operations	16, 999	3,161	3,365	4,139	6,216	16,881	2,530	4,251	6,782
Earnings per share from Continuing Operations (Fully Diluted)	\$14.71	\$2.81	\$3.03	\$3.77	\$5.76	\$15.30	\$2.43	\$4.23	\$6.62

