

Recent Highlights:

4Q'08 Delivered 17% Yr/Yr EPS growth in 4Q'08, 24% Yr/Yr EPS growth in FY'08
 Improved pre-tax margin of 2.5 points, led by Services and Software
 Productivity initiatives in place to improve IBM's balance point and drive margin expansion in 2009
 Good cash performance, ending the year in a strong Financial position
 Expect FY'09 EPS of at least \$9.20

(\$ in Billions)

INCOME STATEMENT	4Q'08 Yr/Yr	FY'2008 Actual	FY'2008 Yr/Yr*
Revenue	(6%)	\$103.6	5%
@ constant currency	(1%)		2%
Gross Profit	0%	\$45.7	9%
Gross Profit Margin	3.0 pts	44.1%	1.8 pts
Expense / Revenue %	0.5 pts	27.9%	0.4 pts
Pre-Tax Income	6%	\$16.7	15%
Pre-Tax Income Margin	2.5 pts	16.1%	1.5 pts
Tax Rate	(4.2 pts)	26.2%	(1.9 pts)
Net Income from cont. ops.	12%	\$12.3	18%
Net Income Margin	2.7 pts	11.9%	1.4 pts
EPS (Diluted)	17%	\$8.93	24%
Average Shares (Diluted)	(5%)	1,382	(5%)
Net Cash from Operations	2%	\$18.8	8%
(excl. GF Receivables)			

(\$ in Billions)

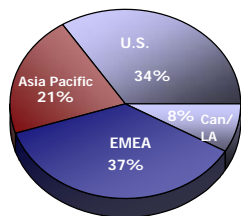
BALANCE SHEET	Dec. 2007	Dec 2008
Assets		
Cash & Marketable Securities	\$16.1	\$12.9
Global Financing Assets*	\$36.8	\$34.9
Non-Global Financing Assets*	<u>\$67.5</u>	<u>\$61.8</u>
	\$120.4	\$109.5
Liabilities		
Global Financing Debt	\$24.5	\$24.4
Non-Global Financing Debt	\$10.7	\$9.6
Other Liabilities	<u>\$56.7</u>	<u>\$62.1</u>
	\$92.0	\$96.1
Equity	\$28.5	\$13.5

* Excludes Cash & Marketable Securities

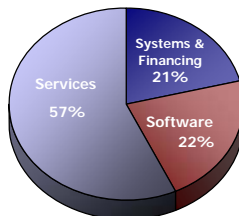
KEY METRICS	Dec 2007	Dec 2008
Non GF Debt/Cap	30%	49%
Global Financing Leverage	7.1	7.0
Dividend Yield	1.4%	2.3%
Credit Rating (Moody's, S&P)	A1, A+	A1, A+

*FY 2007 results include \$81M pre-tax gain (\$0.05 EPS) on 2Q '07 sale of printer business.

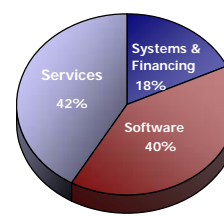
2008
Revenue by Geography (excludes OEM)



2008
Revenue by Business Segment

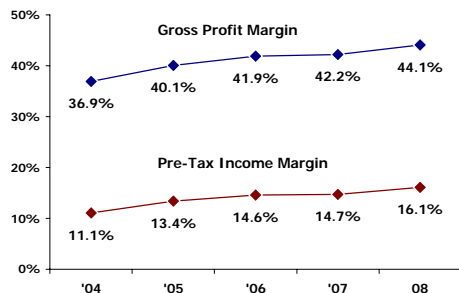


2008
Pre-Tax Profit by Business Segment

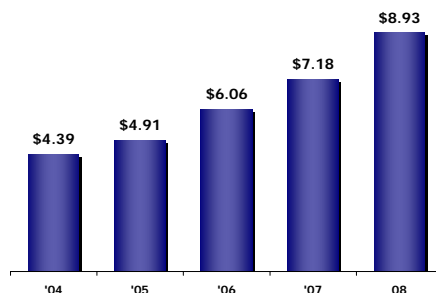


Five Year Summary

Margins

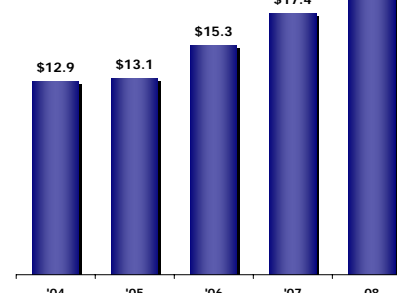


Earnings Per Share ⁽¹⁾



(1) From Continuing Operations, as reported

Operating Cash Flow (\$B) ⁽²⁾



(2) Net Cash from Operations, excluding GF Receivables

In an effort to provide additional and useful information regarding the company's results as determined by generally accepted accounting principles (GAAP), these materials contain the following non-GAAP financial measures:
 (i) revenue at constant currency and (ii) net cash from operations excluding Global Financing receivables. For reconciliation to GAAP and other information about (i) revenue at constant currency and (ii) net cash from operations excluding Global Financing receivables, in each case for 4Q 2008 and FY 2008, see "Non GAAP Supplementary Materials" in the Form 8K submitted to the SEC on January 20, 2009.