

Recent Highlights:

**3Q'09** Improved revenue performance vs 2Q09; Significant share gains in hardware and software  
 Expanded gross margin by 1.8pts and pre-tax margin by 3.2pts, led by software and services  
 Delivered 18% Yr/Yr EPS growth  
 Generated \$3.4B Free Cash Flow excluding GF receivables, up \$1.3B Yr/Yr  
 Expect FY'09 EPS of at least \$9.85; well ahead of track to IBM's 2010 roadmap

(\$ in Billions)

INCOME STATEMENT	FY 2008	Yr/Yr*	3Q09 YTD Yr/Yr
<b>Revenue</b>	<b>\$103.6</b>	<b>5%</b>	<b>(11%)</b>
@ constant currency		2%	(5%)
<b>Gross Profit</b>	<b>\$45.7</b>	<b>9%</b>	<b>(6%)</b>
Gross Profit Margin	44.1%	1.8 pts	2.0 pts
<b>Expense / Revenue %</b>	<b>27.9%</b>	<b>0.4 pts</b>	<b>(0.9 pts)</b>
<b>Pre-Tax Income</b>	<b>\$16.7</b>	<b>15%</b>	<b>8%</b>
Pre-Tax Income Margin	16.1%	1.5 pts	2.9 pts
<b>Tax Rate</b>	<b>26.2%</b>	<b>(1.9 pts)</b>	<b>(0.8 pts)</b>
<b>Net Income from cont. ops.</b>	<b>\$12.3</b>	<b>18%</b>	<b>9%</b>
Net Income Margin	11.9%	1.4 pts	2.2 pts
<b>EPS (Diluted)</b>	<b>\$8.89</b>	<b>24%</b>	<b>14%</b>
Average Shares (Diluted)	1,388	(5%)	(4%)
<b>Net Cash from Operations</b> (excl. GF Receivables)	<b>\$18.8</b>	<b>8%</b>	<b>6%</b>

(\$ in Billions)

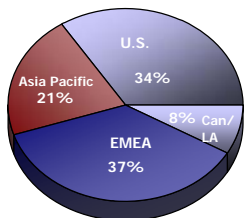
BALANCE SHEET	Dec 2008	Sep 2009
<b>Assets</b>		
Cash & Marketable Securities	\$12.9	\$11.5
Global Financing Assets	\$34.9	\$30.7
Non-Global Financing Assets*	\$61.8	\$61.5
	<b>\$109.5</b>	<b>\$103.7</b>
<b>Liabilities</b>		
Global Financing Debt	\$24.4	\$22.9
Non-Global Financing Debt*	\$9.6	\$2.5
Other Liabilities	\$62.0	\$59.7
	<b>\$95.9</b>	<b>\$85.2</b>
<b>Equity</b>	<b>\$13.6</b>	<b>\$18.5</b>

\* Includes eliminations of inter-company activity

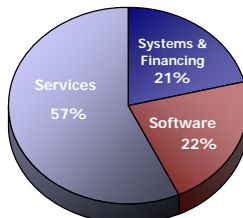
KEY METRICS	Dec 2008	Sep 2009
<b>Non GF Debt/Cap</b>	<b>49%</b>	<b>14%</b>
<b>Global Financing Leverage</b>	<b>7.0</b>	<b>7.0</b>
<b>Dividend Yield</b>	<b>2.3%</b>	<b>1.8%</b>
<b>Credit Rating (Moody's, S&amp;P)</b>	<b>A1, A+</b>	<b>A1, A+</b>

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

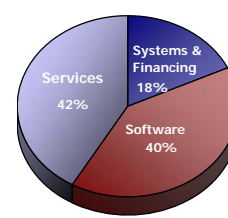
2008 Revenue by Geography (excludes OEM)



2008 Revenue by Business Segment

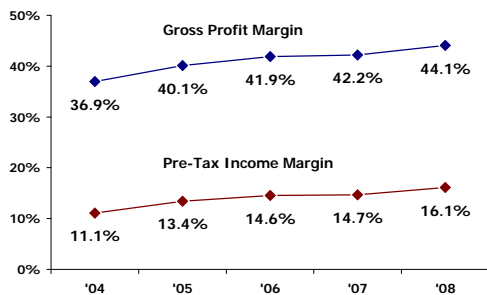


2008 Pre-Tax Profit by Business Segment

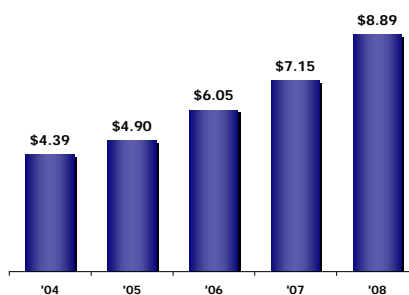


Five Year Summary

Margins

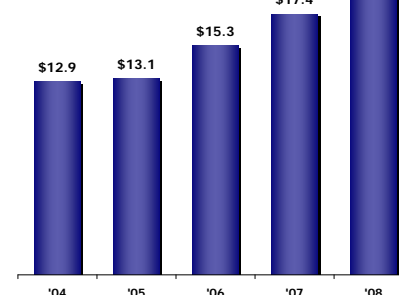


Earnings Per Share <sup>(1)</sup>



(1) From Continuing Operations

Operating Cash Flow (\$B) <sup>(2)</sup>



(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, (ii) net cash from operations excluding Global Financing receivables, (iii) free cash flows excluding Global Financing receivables and (iv) non GF debt-to-capital ratio. For reconciliation to GAAP and other information about (i) revenue at constant currency for FY 2008 and (ii) net cash from operations excluding Global Financing receivables for FY 2004 - FY 2008, see "Non GAAP Supplementary Materials" in the Form 8K submitted to the SEC on January 20, 2009. For reconciliation to GAAP and other information about (i) revenue at constant currency 3Q09 YTD, (ii) net cash from operations excluding Global Financing receivables for 3Q09 YTD, (iii) free cash flows excluding Global Financing receivables for 3Q09 and (iv) non GF debt-to-capital ratio for December 2008 and September 2009, see "Non GAAP Supplementary Materials" in Form 8K submitted to the SEC on October 15, 2009.