



1Q 2010 Earnings Presentation

April 19, 2010

www.ibm.com/investor

Forward Looking Statements

Certain comments made in this presentation may be characterized as forward looking under the Private Securities Litigation Reform Act of 1995.

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.

These charts and the associated remarks and comments are integrally related, and are intended to be presented and understood together.

1Q 2010 Highlights

| | | |
|-----------------|--------|---------------|
| Pre-Tax Income | \$3.5B | +13% yr/yr |
| EPS | \$1.97 | +16% yr/yr |
| Free Cash Flow* | \$1.4B | +\$400M yr/yr |

- Significant improvements in revenue growth rates across the segments and geographies
- Continued margin expansion through improving mix and ongoing focus on productivity
- Strong cash flow performance, supporting ongoing investments and shareholder returns

Increasing EPS expectations to at least \$11.20 in 2010

* Excluding GF Receivables

Revenue Growth Rate Improvement @ Constant Currency

Segment Revenue

1Q10 Yr/Yr vs.
4Q09 Yr/Yr

| | |
|----------------------------|---------|
| Global Technology Services | 3 pts |
| Global Business Services | 4 pts |
| Software | 9 pts |
| Systems & Technology | 11 pts |
| Global Financing | (1 pts) |
| Total Revenue | 5 pts |

Geo Revenue

1Q10 Yr/Yr vs.
4Q09 Yr/Yr

| | |
|----------------|-------|
| Americas | 6 pts |
| EMEA | 5 pts |
| Asia | 4 pts |
| Major Markets | 5 pts |
| Growth Markets | 6 pts |
| BRIC | 7 pts |
| Total Revenue | 5 pts |

Broad-based improvements in revenue growth rates

Financial Summary

\$ in Billions, except EPS

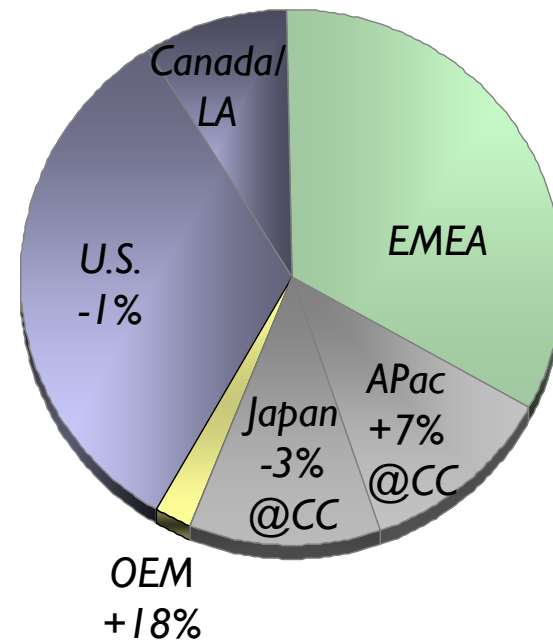
| | <u>1Q10</u> | <u>B/(W) Yr/Yr</u> |
|----------------------|-------------|------------------------|
| Revenue | \$22.9 | 5% |
| @CC | | Flat |
| GP % | 43.6% | 0.2 pts |
| Expense | \$6.5 | (2%) |
| Pre-Tax Income | \$3.5 | 13% |
| PTI Margin | 15.4% | 1.0 pts |
| Tax Rate | 26.0% | 0.5 pts |
| Net Income | \$2.6 | 13% |
| Shares (Diluted) (M) | 1,321.6 | 2% |
| EPS | \$1.97 | 16% |

Improving revenue growth and margin expansion drive profit performance

Revenue by Geography

\$ in Billions

| | | <u>B/(W) Yr/Yr</u> | |
|--------------------------|---------------|--------------------|-------------|
| | <u>1Q10</u> | <u>Rptd</u> | <u>@CC</u> |
| Americas | \$9.5 | 2% | Flat |
| Europe/ME/A | 7.6 | 5% | (2%) |
| Asia Pacific | 5.3 | 10% | 1% |
| Total Geographies | \$22.3 | 5% | Flat |
| IBM | \$22.9 | 5% | Flat |
| <i>Major Markets</i> | | <i>2%</i> | <i>(2%)</i> |
| <i>Growth Markets</i> | | <i>20%</i> | <i>8%</i> |
| <i>BRIC Countries</i> | | <i>23%</i> | <i>14%</i> |



Growth markets outpace major markets by 10 points

Revenue and Gross Margin by Segment

| \$ in Billions | Revenue | | | Gross Profit Margin | |
|----------------------------|-------------|--------------------|------------|---------------------|------------------------|
| | <u>1Q10</u> | <u>B/(W) Yr/Yr</u> | | <u>1Q10</u> | <u>B/(W) Yr/Yr Pts</u> |
| | | <u>Rptd</u> | <u>@CC</u> | | |
| Global Technology Services | \$9.3 | 6% | Flat | 34.4% | 0.5 pts |
| Global Business Services | 4.4 | Flat | (5%) | 27.3% | 0.7 pts |
| Software | 5.0 | 11% | 5% | 84.6% | 0.4 pts |
| Systems & Technology | 3.4 | 5% | 2% | 33.6% | (0.4 pts) |
| Global Financing | 0.5 | (7%) | (12%) | 49.8% | 3.9 pts |
| Total Segments | \$22.7 | 5% | Flat | 44.3% | 1.0 pts |
| Total IBM | \$22.9 | 5% | Flat | 43.6% | 0.2 pts |

Performance led by Software

Expense Summary

| \$ in Billions | <u>1Q10</u> | <u>B/(W) Yr/Yr</u> | <u>B/(W) Yr/Yr Drivers</u> | | |
|---|--------------|------------------------|----------------------------|-----------------|--------------|
| | | | <u>Currency</u> | <u>Acq. (1)</u> | <u>Ops</u> |
| SG&A (2) | \$5.7 | (8%) | (7 pts) | (1 pts) | 0 pts |
| RD&E | 1.5 | (2%) | (3 pts) | (1 pts) | 2 pts |
| IP and Development Income | (0.3) | (2%) | | | |
| Other (Income)/Expense (3) | (0.5) | 80% | | | |
| Interest Expense | <u>0.1</u> | 40% | | | |
| Total Expense & Other Income | \$6.5 | (2%) | (7 pts) | (1 pts) | 5 pts |

(1) Includes acquisitions made in the last twelve months

(2) Includes yr/yr increase of \$293M in workforce rebalancing

(3) Includes PLM gain of \$591M in 1Q10 and Geodis gain of \$298M in 1Q09

Improving operating leverage through productivity

Pre-Tax Income by Segment

\$ in Billions

| | Segment PTI \$ | B/(W) Yr/Yr | B/(W) Yr/Yr w/o Unique Items* | Segment PTI % | B/(W) Yr/Yr | B/(W) Yr/Yr w/o Unique Items* |
|----------------------------|-------------------|----------------|-------------------------------------|------------------|----------------|-------------------------------------|
| Global Technology Services | \$1.0 | (13%) | 9% | 10.0% | (2.1 pts) | 0.3 pts |
| Global Business Services | 0.4 | (15%) | (4%) | 9.7% | (1.6 pts) | (0.5 pts) |
| Software | 2.1 | 54% | 25% | 35.5% | 9.6 pts | 2.8 pts |
| Systems & Technology | (0.2) | nm | nm | (4.8%) | (5.6 pts) | (2.2 pts) |
| Global Financing | 0.4 | 19% | 18% | 45.4% | 8.2 pts | 7.9 pts |
| Total Segments | \$3.7 | 11% | 11% | 15.2% | 0.8 pts | 0.8 pts |
| Total IBM | \$3.5 | 13% | 13% | 15.4% | 1.0 pts | 1.0 pts |

* 1Q10: PLM gain of \$591M and Workforce Rebalancing charge of \$559M
 1Q09: Geodis gain of \$298M and Workforce Rebalancing charge of \$265M

Services Segments

Global Technology Services (GTS)

| \$ in Billions | <u>B/(W) Yr/Yr</u> | | |
|------------------------------|--------------------|-------------|------------|
| | <u>1Q10</u> | <u>Rptd</u> | <u>@CC</u> |
| Revenue (External) | \$9.3 | 6% | Flat |
| Gross Margin (External) | 34.4% | 0.5 pts | |
| PTI Margin | 10.0% | (2.1 pts) | |
| PTI Margin excl Unique Items | 12.8% | 0.3 pts | |

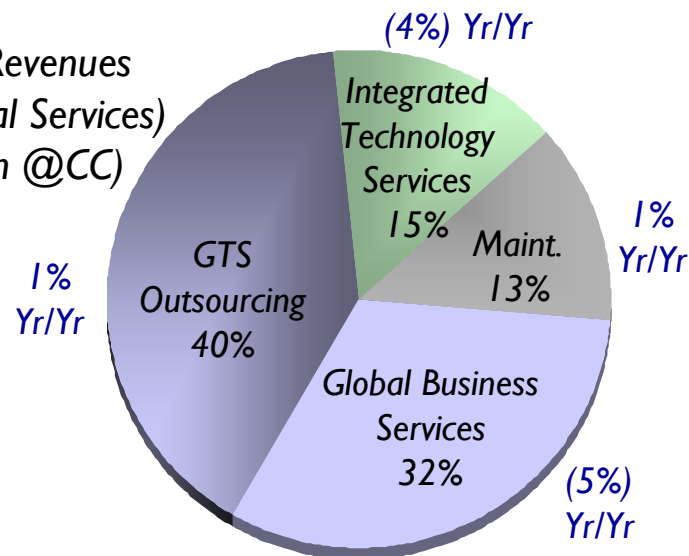
Global Business Services (GBS)

| \$ in Billions | <u>B/(W) Yr/Yr</u> | | |
|------------------------------|--------------------|-------------|------------|
| | <u>1Q10</u> | <u>Rptd</u> | <u>@CC</u> |
| Revenue (External) | \$4.4 | Flat | (5%) |
| Gross Margin (External) | 27.3% | 0.7 pts | |
| PTI Margin | 9.7% | (1.6 pts) | |
| PTI Margin excl Unique Items | 12.4% | (0.5 pts) | |

Global Services Signings

| \$ in Billions | <u>B/(W) Yr/Yr</u> | | |
|--|--------------------|-------------|-------------|
| | <u>1Q10</u> | <u>Rptd</u> | <u>@CC</u> |
| Outsourcing - GTS O/S, Appl. O/S (AMS) | \$6.8 | (3%) | (8%) |
| Transactional - ITS, Consulting, AMS SI | 5.5 | (1%) | (6%) |
| Total Signings | \$12.3 | (2%) | (7%) |
| Total Signings w/o AMS | | 4% | (1%) |

1Q10 Revenues
(% of Total Services)
(Growth @CC)



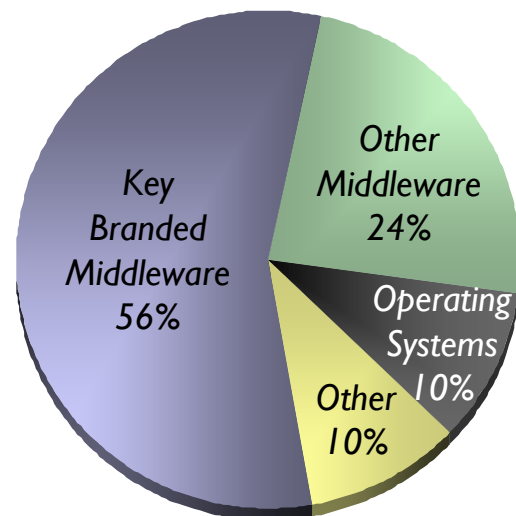
Improving revenue performance in both GTS and GBS

Software Segment

| \$ in Billions | <u>B/(W) Yr/Yr</u> | | |
|------------------------------|--------------------|-------------|------------|
| | <u>1Q10</u> | <u>Rptd</u> | <u>@CC</u> |
| Revenue (External) | \$5.0 | 11% | 5% |
| Gross Margin (External) | 84.6% | 0.4 pts | |
| PTI Margin | 35.5% | 9.6 pts | |
| PTI Margin excl Unique Items | 27.0% | 2.8 pts | |

| <u>1Q10 Revenue</u> | <u>Yr/Yr</u> | |
|-------------------------------|--------------|------------|
| | <u>Rptd</u> | <u>@CC</u> |
| WebSphere Family | 13% | 8% |
| Information Management | 11% | 6% |
| Tivoli | 23% | 18% |
| Lotus | 1% | (3%) |
| Rational | 7% | 2% |
| Key Branded Middleware | 13% | 8% |
| Total Middleware | 12% | 7% |
| Total Software | 11% | 5% |

*1Q10 Revenue
(% of Total Software)*



Gained share in Branded Middleware and each of the five key brands

Systems & Technology Segment

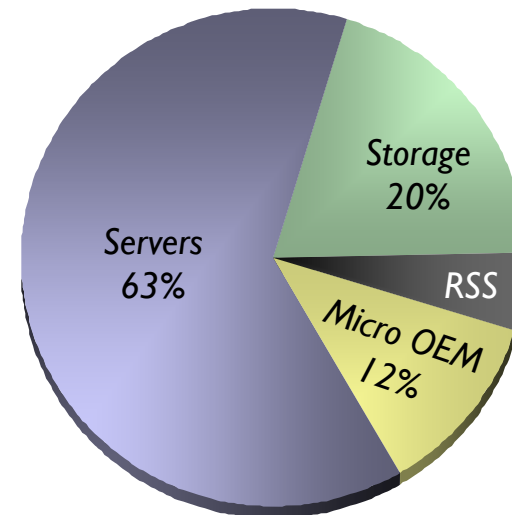
\$ in Billions

| | <u>1Q10</u> | <u>B/(W) Yr/Yr</u> | |
|------------------------------|-------------|--------------------|------------|
| | | <u>Rptd</u> | <u>@CC</u> |
| Revenue (External) | \$3.4 | 5% | 2% |
| Gross Margin (External) | 33.6% | (0.4 pts) | |
| PTI Margin | (4.8%) | (5.6 pts) | |
| PTI Margin excl Unique Items | (3.2%) | (2.2 pts) | |

1Q10 Revenue

| | <u>Yr/Yr</u> | |
|---------------------------------------|--------------|------------|
| | <u>Rptd</u> | <u>@CC</u> |
| System z | (17%) | (18%) |
| POWER Systems | (17%) | (20%) |
| System x | 36% | 31% |
| Storage | 11% | 7% |
| Retail Store Solutions | 38% | 35% |
| Total Systems | 4% | 1% |
| Microelectronics OEM | 16% | 16% |
| Total Systems & Technology | 5% | 2% |

*1Q10 Revenue
(% of Total Sys & Tech)*



Gained share in Storage, System x, RSS, and Mid-range Power

Cash Flow Analysis

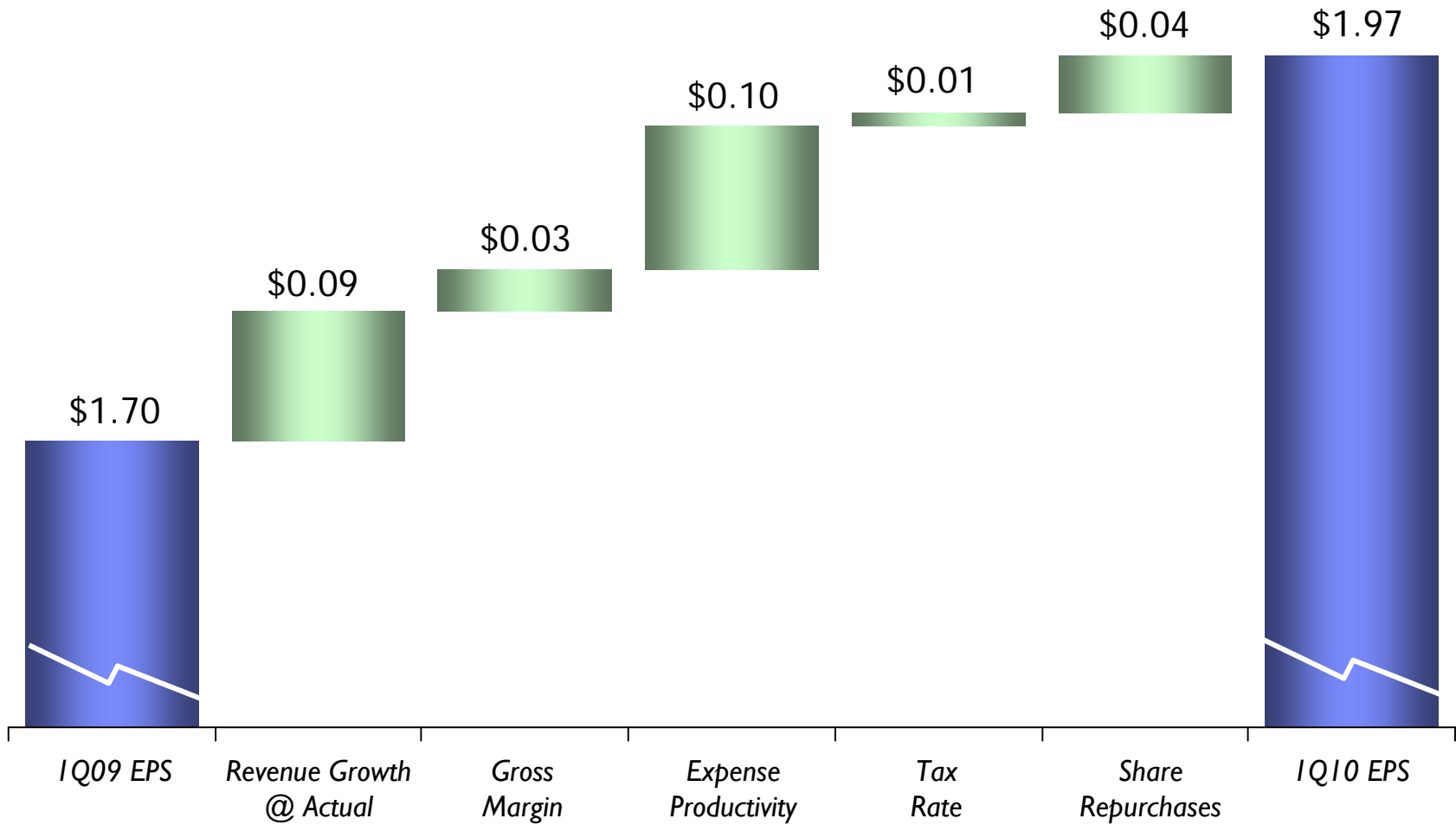
| \$ in Billions | <u>1Q10</u> | <u>B/(W)</u> <u>Yr/Yr</u> | <u>FY09</u> |
|--|--------------|------------------------------|--------------|
| Net Cash from Operations | \$4.4 | \$0.1 | \$20.8 |
| Less: Global Financing Receivables | <u>2.1</u> | <u>(0.5)</u> | <u>1.9</u> |
| Net Cash from Operations (excluding GF Receivables) | 2.3 | 0.5 | 18.9 |
| Net Capital Expenditures | <u>(0.9)</u> | <u>(0.1)</u> | <u>(3.7)</u> |
| Free Cash Flow (excluding GF Receivables) | 1.4 | 0.4 | 15.1 |
| Acquisitions | (0.8) | (0.8) | (1.2) |
| Divestitures | 0.0 | (0.4) | 0.4 |
| Dividends | (0.7) | 0.0 | (2.9) |
| Share Repurchases | (4.0) | (2.3) | (7.4) |
| Non-GF Debt | 0.3 | 2.3 | (4.7) |
| Other (includes GF A/R & GF Debt) | <u>3.8</u> | <u>1.4</u> | <u>1.7</u> |
| Change in Cash & Marketable Securities | \$0.0 | \$0.6 | \$1.1 |

Balance Sheet Summary

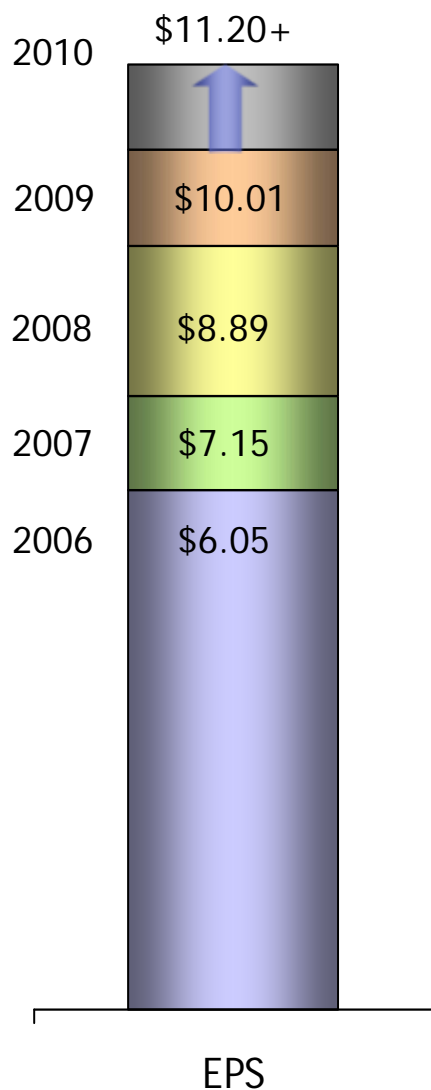
| \$ in Billions | <u>Mar. 09</u> | <u>Dec. 09</u> | <u>Mar.10</u> |
|----------------------------------|----------------|----------------|---------------|
| Cash & Marketable Securities | \$12.3 | \$14.0 | \$14.0 |
| Non-GF Assets* | 59.1 | 61.7 | 61.3 |
| Global Financing Assets | 30.5 | 33.3 | 29.9 |
| Total Assets | 101.9 | 109.0 | 105.2 |
| Other Liabilities | 57.3 | 60.2 | 56.7 |
| Non-GF Debt* | 7.6 | 3.7 | 4.1 |
| Global Financing Debt | 23.4 | 22.4 | 22.2 |
| Total Debt | 31.0 | 26.1 | 26.3 |
| Total Liabilities | 88.3 | 86.3 | 83.1 |
| Equity | 13.7 | 22.8 | 22.1 |
| Non-GF Debt / Capital | 42% | 16% | 18% |
| Global Financing Leverage | 7.0 | 7.1 | 7.0 |

* Includes eliminations of inter-company activity

EPS Bridge – 1Q09 to 1Q10



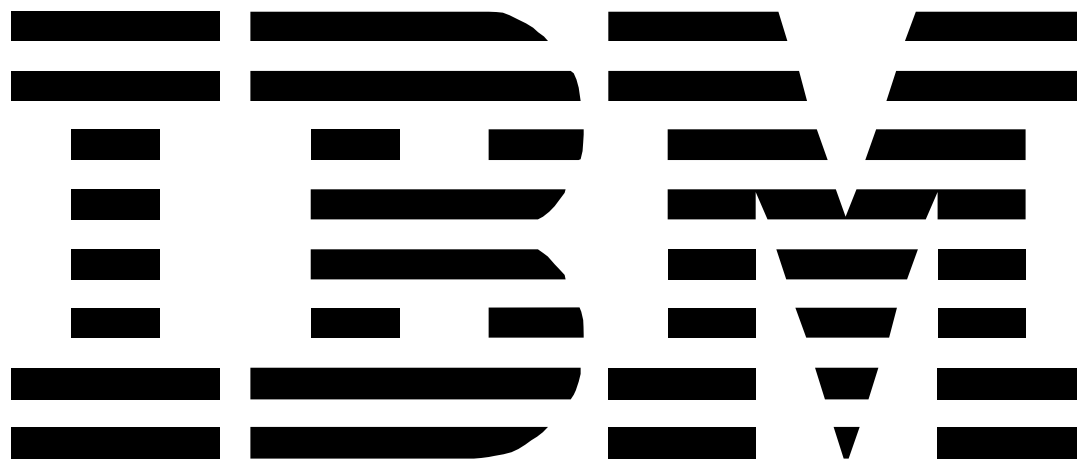
1Q 2010 Summary



- Broad-based improvement in revenue performance
- Margin expansion through shift to higher value and focus on productivity
- Strong profit and cash performance
- Continued IBM's transformation:
 - Acquired high value capabilities
 - Divested of lower value operations
 - Introduced new technology
 - Continued productivity initiatives

Increasing EPS expectations to at least \$11.20 in 2010

Note: 2006-2008 EPS reflects the adoption of amendments to ASC 260, "Earnings Per Share"



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
- Revenue by Key Industry Sales Unit
- Cash Flow (FAS 95)
- Revenue Growth Rate Improvement @CC
- Supplemental EPS Information – Acquisition-Related Activity
- Non-GAAP Supplementary Materials
 - Constant Currency, Cash Flow
 - Debt-to-Capital Ratio, Unique Items
 - Reconciliation of Segment Revenue Growth Rates
 - Reconciliation of Geography Revenue Growth, Reconciliation of Services
Segment Revenue Growth Rates
 - Reconciliation of Pre-Tax Income
 - Reconciliation of Debt-to-Capital Ratio

Currency – Year/Year Comparison

Quarterly Averages per US \$

| | <u>1Q10</u> | <u>Yr/Yr</u> | <u>4/16 Spot</u> | <u>Yr/Yr @ 4/16 Spot</u> | | |
|-------|-------------|--------------|----------------------|--------------------------|-------------|-------------|
| | | | | <u>2Q10</u> | <u>3Q10</u> | <u>4Q10</u> |
| Euro | 0.72 | 6% | 0.74 | (1%) | (6%) | (9%) |
| Pound | 0.64 | 8% | 0.65 | 0% | (6%) | (6%) |
| Yen | 91 | 3% | 93 | 5% | 1% | (3%) |

| | | | | |
|--------------------|----------|----------|------------|------------|
| IBM Revenue Impact | 5 pts | 2-3 pts | ~(1)-0 pts | ~(2-3 pts) |
| January 19 View | ~6-7 pts | ~4-5 pts | ~1-2 pts | ~(1)-0 pts |

| | <u>(US\$B)</u> | <u>Yr/Yr</u> | <i>Negative Yr/Yr growth signifies a translation hurt</i> |
|---------------------|----------------|--------------|---|
| Revenue As Reported | \$22.9 | 5% | IBM hedges its major cross-border cash flows. The impact of these hedging programs is principally reflected in Other Income and Expense, as well as Cost of Goods Sold. |
| Currency Impact | 1.2 | 5 pts | |
| Revenue @CC | \$21.7 | Flat | |

Supplemental Segment Information – 1Q 2010

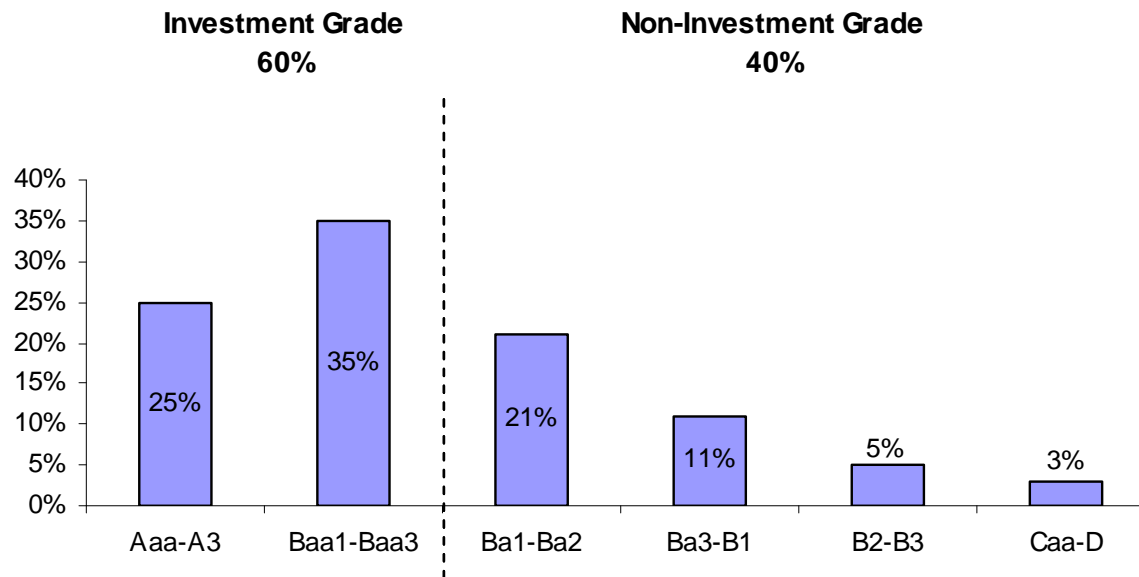
| <i>Global Services</i> | <u>Revenue Growth</u> | | <i>Global Services</i> | <u>Backlog</u> |
|----------------------------|-----------------------|------------|--|----------------|
| | <u>Yr/Yr</u> | <u>@CC</u> | | <u>1Q10</u> |
| GTS Outsourcing | 8% | 1% | Backlog | \$134B |
| Integrated Tech Services | 2% | (4%) | <u>Change in Backlog due to Currency</u> | |
| Maintenance | <u>7%</u> | <u>1%</u> | Quarter-to-Quarter | (\$2B) |
| Global Technology Services | 6% | Flat | Year-to-Year | \$7B |
| Global Business Services | Flat | (5%) | | |

Supplemental Segment Information – 1Q 2010

| <i>Systems & Technology</i> | <u>Revenue Growth</u> | | | | <i>Software</i> | <u>Revenue Growth</u> | |
|---------------------------------------|-----------------------|------------|------------|--------------|-------------------------------|-----------------------|------------|
| | <u>Yr/Yr</u> | <u>@CC</u> | <u>GP%</u> | <u>Share</u> | | <u>Yr/Yr</u> | <u>@CC</u> |
| System z | (17%) | (18%) | ↓ | = | WebSphere Family | 13% | 8% |
| POWER Systems | (17%) | (20%) | ↓ | = | Information Management | 11% | 6% |
| System x | 36% | 31% | ↑ | ↑ | Tivoli | 23% | 18% |
| Storage | 11% | 7% | ↑ | ↑ | Lotus | 1% | (3%) |
| Retail Store Solutions | 38% | 35% | ↑ | ↑ | Rational | <u>7%</u> | <u>2%</u> |
| Total Systems | 4% | 1% | ↓ | = | Key Branded Middleware | 13% | 8% |
| Microelectronics OEM | 16% | 16% | ↑ | | Other Middleware | <u>9%</u> | <u>4%</u> |
| Total Systems & Technology | 5% | 2% | ↓ | | Total Middleware | 12% | 7% |
| | | | | | Operating Systems | 1% | (3%) |
| | | | | | Other Software/Services | <u>10%</u> | <u>4%</u> |
| | | | | | Total Software | 11% | 5% |

Global Financing Portfolio

1Q10 – \$22.0B Net External Receivables

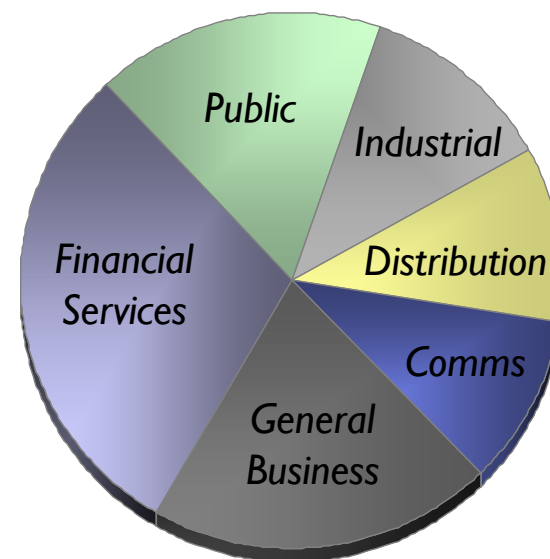


| | <u>1Q10</u> | <u>4Q09</u> | <u>1Q09</u> |
|------------------------------------|-------------|-------------|-------------|
| Identified Loss Rate | 1.9% | 1.6% | 1.7% |
| Anticipated Loss Rate | 0.4% | 0.5% | 0.6% |
| Reserve Coverage | 2.3% | 2.1% | 2.3% |
| Client Days Delinquent Outstanding | 3.3 | 2.4 | 3.8 |
| Commercial A/R > 30 Days | \$49M | \$28M | \$63M |

Revenue by Key Industry Sales Unit

\$ in Billions

| | <u>1Q10</u> | <u>B/(W) Yr/Yr</u> | |
|--------------------|---------------|--------------------|-------------|
| | | <u>Rptd</u> | <u>@CC</u> |
| Financial Services | \$6.4 | 5% | (1%) |
| Public | 3.7 | 5% | Flat |
| Industrial | 2.5 | 3% | (2%) |
| Distribution | 2.3 | 10% | 5% |
| Communications | 2.2 | (1%) | (7%) |
| General Business | 4.4 | 10% | 4% |
| All Sectors | \$22.4 | 5% | Flat |
| Total IBM | \$22.9 | 5% | Flat |



Cash Flow (FAS 95)

| \$ in Billions | <u>1Q10</u> | <u>1Q09</u> |
|--|--------------|----------------|
| Net Income from Operations | \$2.6 | \$2.3 |
| Depreciation / Amortization of Intangibles | 1.2 | 1.2 |
| Stock-based Compensation | 0.2 | 0.1 |
| Working Capital / Other | (1.6) | (1.9) |
| Global Financing A/R | 2.1 | 2.6 |
| Net Cash provided by Operating Activities | 4.4 | 4.4 |
| Capital Expenditures, net of payments & proceeds | (0.9) | (0.8) |
| Divestitures, net of cash transferred | 0.0 | 0.4 |
| Acquisitions, net of cash acquired | (0.8) | 0.0 |
| Marketable Securities / Other Investments, net | 1.0 | 0.4 |
| Net Cash used in Investing Activities | (0.7) | 0.0 |
| Debt, net of payments & proceeds | 0.5 | (2.4) |
| Dividends | (0.7) | (0.7) |
| Common Stock Repurchases | (4.0) | (1.8) |
| Common Stock Transactions - Other | 0.9 | 0.2 |
| Net Cash used in Financing Activities | (3.4) | (4.6) |
| Effect of Exchange Rate changes on Cash | (0.1) | (0.2) |
| Net Change in Cash & Cash Equivalents | \$0.3 | (\$0.4) |

Revenue Growth Rate Improvement @CC

1Q10 Yr/Yr vs. 4Q09 Yr/Yr

| Segment Revenue | <u>4Q09 Yr/Yr</u> | <u>1Q10 Yr/Yr</u> | <u>Growth Rate Improvement</u> | Geo Revenue | <u>4Q09 Yr/Yr</u> | <u>1Q10 Yr/Yr</u> | <u>Growth Rate Improvement</u> |
|------------------------|-------------------|-------------------|--------------------------------|--------------------|-------------------|-------------------|--------------------------------|
| Global Tech Svcs | (3%) | Flat | 3 pts | Americas | (6%) | Flat | 6 pts |
| Global Business Svcs | (9%) | (5%) | 4 pts | EMEA | (7%) | (2%) | 5 pts |
| Software | (4%) | 5% | 9 pts | Asia | (3%) | 1% | 4 pts |
| Systems & Tech | (9%) | 2% | 11 pts | Major Mkts | (7%) | (2%) | 5 pts |
| Global Financing | (12%) | (12%) | (1 pts) | Growth Mkts | 2% | 8% | 6 pts |
| Total Revenue | (5%) | Flat | 5 pts | BRIC | 7% | 14% | 7 pts |
| | | | | Total Revenue | (5%) | Flat | 5 pts |

Supplemental EPS Information – Acquisition-Related Activity

The company is including a view of the impact of certain acquisition-related charges on IBM's earnings results.

Management's view is that this supplemental information provides additional insight into the company's ongoing operations and enables a more meaningful comparison to other companies in the technology sector who present similar information.



Supplemental EPS Information – Acquisition-Related Activity - 2010

\$ in Millions, except EPS

1Q10

As Reported

| | |
|----------------|---------|
| Pre-Tax Income | \$3,515 |
| Net Income | \$2,601 |
| EPS | \$1.97 |

Adjustments

| | |
|--------------------------------------|--------|
| Pre-Tax Income Total | \$116 |
| Amortization of Acquired Intangibles | 115 |
| In Process R&D | 0 |
| Acquisition-Related Charges | 2 |
| Net Income | \$86 |
| EPS | \$0.06 |

Results excluding Acquisition-Related Activity *

| | |
|----------------|---------|
| Pre-Tax Income | \$3,631 |
| Net Income | \$2,687 |
| EPS | \$2.03 |

* Non-GAAP financial measure

Non-GAAP Supplementary 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/or earnings presentation materials, the following Non-GAAP information which management believes provides useful information to investors.

Constant Currency

Management refers to growth rates at constant currency or adjusting for currency so that the business 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. Constant currency revenue results are calculated by translating current period revenue in local currency using the prior year's currency conversion rate. This consistent approach is based on the pricing currency for each country which is typically the functional 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.

Cash Flow

Management includes presentations of both cash flow from operations and free cash flow that exclude the effect of Global Financing Receivables. For a financing business, increasing receivables is the basis for growth. Receivables are viewed as an investment and an income-producing asset. Therefore, management presents financing receivables as an investing activity. Management's view is that this presentation gives the investor the best perspective of cash available for new investment or for distribution to shareholders.

Non-GAAP Supplementary Materials

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.

Unique Items

Management presents certain segment financial results excluding the effects of the following items: (1) PLM gain in 2010, (2) Geodis gain in 2009 and (3) Workforce Rebalancing in both 2009 and 2010. Given the unique nature of these items, management believes that presenting certain segment financial information without these items is more representative of the segment's operational performance and provides additional insight into, and clarifies the basis for, historical and/or future performance, which may be more useful for investors.

Non-GAAP Supplementary Materials

Reconciliation of Segment Revenue Growth Rates

| | <u>1Q10 Yr/Yr vs. 4Q09 Yr/Yr</u> | | <u>4Q09 Yr/Yr</u> | |
|----------------------------|----------------------------------|------------|-------------------|------------|
| | <u>As Rptd</u> | <u>@CC</u> | <u>As Rptd</u> | <u>@CC</u> |
| Global Technology Services | 2 pts | 3 pts | 4% | (3%) |
| Global Business Services | 3 pts | 4 pt | (3%) | (9%) |
| Software | 8 pts | 9 pts | 2% | (4%) |
| Systems & Technology | 9 pts | 11 pts | (4%) | (9%) |
| Global Financing | (1 pts) | (1 pts) | (6%) | (12%) |
| Total Revenue | 4 pts | 5 pts | 1% | (5%) |
| Americas | 5 pts | 6 pts | (3%) | (6%) |
| EMEA | 3 pts | 5 pts | 2% | (7%) |
| Asia | 4 pts | 4 pts | 6% | (3%) |
| Major Markets | 4 pts | 5 pts | (2%) | (7%) |
| Growth Markets | 6 pts | 6 pts | 14% | 2% |
| BRIC | 5 pts | 7 pts | 18% | 7% |

The above serves to reconcile the Non-GAAP financial information contained in the "Revenue Growth Rate Improvement @ Constant Currency" discussion regarding segment revenue growth in the company's earnings presentation. The above reconciles the sequential change from 4Q09 to 1Q10. See Slide 28 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplementary Materials

Reconciliation of Geography Revenue Growth

| | <u>1Q10 Yr/Yr</u> | |
|--------------------------------|-------------------|------------|
| | <u>As Rptd</u> | <u>@CC</u> |
| Asia Pacific, other than Japan | 21% | 7% |
| Japan | Flat | (3%) |
| UK | 17% | 8% |

Reconciliation of Services Segment Revenue Growth Rates

| | <u>1Q10 Yr/Yr vs. 4Q09 Yr/Yr</u> | |
|-----------------|----------------------------------|------------|
| | <u>As Rptd</u> | <u>@CC</u> |
| Global Services | 2 pts | 3 pts |

The above serves to reconcile the Non-GAAP financial information contained in the "Revenue by Geography" and "Services Segment" discussion regarding revenue growth in certain geographies/countries/segments in the company's earnings presentation. The above "Services Segment" section reconciles the sequential change from 4Q09 to 1Q10. See Slide 28 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplementary Materials

Reconciliation of Pre-Tax Income

| Pre-Tax Income | 1Q10 | 1Q09 | B/(W) Yr/Yr | PLM Gain 1Q10 | Workforce Rebalancing 1Q10 | Geodis Gain 1Q09 | Workforce Rebalancing 1Q09 | 1Q10 w/o Unique Items* | 1Q09 w/o Unique Items* | B/(W) Yr/Yr w/o Unique Items* |
|--------------------------|----------------------------|-------|----------------|------------------|----------------------------------|---------------------|----------------------------------|---------------------------------|---------------------------------|--|
| | Global Technology Services | \$1.0 | \$1.1 | (13%) | \$ - | \$0.3 | (\$0.1) | \$0.1 | \$1.2 | \$1.1 |
| Global Business Services | 0.4 | 0.5 | (15%) | - | 0.1 | (0.0) | 0.1 | 0.6 | 0.6 | (4%) |
| Software | 2.1 | 1.3 | 54% | (0.6) | 0.1 | (0.1) | 0.0 | 1.6 | 1.2 | 25% |
| Systems & Technology | (0.2) | 0.0 | nm | - | 0.1 | (0.1) | 0.0 | (0.1) | (0.0) | nm |
| Global Financing | 0.4 | 0.4 | 19% | - | 0.0 | - | 0.0 | 0.4 | 0.4 | 18% |
| Total Segments | \$3.7 | \$3.3 | 11% | (\$0.6) | \$0.6 | (\$0.3) | \$0.3 | \$3.7 | \$3.3 | 11% |
| Total IBM | \$3.5 | \$3.1 | 13% | (\$0.6) | \$0.6 | (\$0.3) | \$0.3 | \$3.5 | \$3.1 | 13% |

| Pre-Tax Income Margin | 1Q10 | 1Q09 | B/(W) Yr/Yr | PLM Gain 1Q10 | Workforce Rebalancing 1Q10 | Geodis Gain 1Q09 | Workforce Rebalancing 1Q09 | 1Q10 w/o Unique Items* | 1Q09 w/o Unique Items* | B/(W) Yr/Yr w/o Unique Items* |
|--------------------------|----------------------------|-------|----------------|------------------|----------------------------------|---------------------|----------------------------------|---------------------------------|---------------------------------|--|
| | Global Technology Services | 10.0% | 12.1% | (2.1 pts) | - | 2.8 pts | (0.9 pts) | 1.3 pts | 12.8% | 12.5% |
| Global Business Services | 9.7% | 11.3% | (1.6 pts) | - | 2.8 pts | (1.0 pts) | 2.7 pts | 12.4% | 12.9% | (0.5 pts) |
| Software | 35.5% | 25.9% | 9.6 pts | (10.2 pts) | 1.7 pts | (2.1 pts) | 0.3 pts | 27.0% | 24.2% | 2.8 pts |
| Systems & Technology | (4.8%) | 0.8% | (5.6 pts) | - | 1.6 pts | (1.9 pts) | 0.1 pts | (3.2%) | (0.9%) | (2.2 pts) |
| Global Financing | 45.4% | 37.2% | 8.2 pts | - | 0.2 pts | - | 0.5 pts | 45.7% | 37.7% | 7.9 pts |
| Total Segments | 15.2% | 14.4% | 0.8 pts | (2.4 pts) | 2.3 pts | (1.3 pts) | 1.1 pts | 15.0% | 14.3% | 0.8 pts |
| Total IBM | 15.4% | 14.4% | 1.0 pts | (2.6 pts) | 2.4 pts | (1.4 pts) | 1.2 pts | 15.2% | 14.2% | 1.0 pts |

* 1Q10: PLM gain of \$591M and Workforce Rebalancing charge of \$559M

1Q09: Geodis gain of \$298M and Workforce Rebalancing charge of \$265M

The above serves to reconcile the Non-GAAP financial information contained in the "Pre-Tax Income by Segment" discussion in the company's earnings presentation. See Slide 29 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplementary Materials

Reconciliation of Debt-to-Capital Ratio

| | <u>1Q10</u> | <u>FY09</u> | <u>1Q09</u> |
|-------------------------------------|-------------|-------------|-------------|
| Non-Global Financing Debt / Capital | 18% | 16% | 42% |
| IBM Consolidated Debt / Capital | 54% | 53% | 69% |

The above serves to reconcile the Non-GAAP financial information contained in the "Balance Sheet Summary" discussion regarding the non-Global Financing debt to capital ratio in the company's earnings presentation. See Slide 29 of this presentation for additional information on the use of these Non-GAAP financial measures.

