

Attachment 2: Reclassified Non-GAAP Supplementary Materials

INTERNATIONAL BUSINESS MACHINES CORPORATION
GAAP TO OPERATING BRIDGES
(UNAUDITED)

\$ in millions, except for EPS numbers

For the twelve months ended December 31, 2017

| | <u>GAAP</u> | <u>ACQUISITION ADJUSTMENTS</u> | <u>RETIREMENT ADJUSTMENTS</u> | <u>TAX REFORM ONE-TIME CHARGE</u> | <u>OPERATING</u> |
|---|-------------|------------------------------------|-----------------------------------|---------------------------------------|------------------|
| Gross Profit | 36,943 | 449 | - | - | 37,392 |
| Gross Profit Margin | 46.7% | 0.6Pts | - | - | 47.2% |
| SG&A | 19,680 | (509) | - | - | 19,170 |
| RD&E | 5,590 | - | - | - | 5,590 |
| Other Income & Expense | 1,125 | (39) | (1,341) | - | (255) |
| Total Expense & Other Income | 25,543 | (548) | (1,341) | - | 23,654 |
| Pre-Tax Income from Continuing Operations | 11,400 | 997 | 1,341 | - | 13,738 |
| PTI Margin from Continuing Operations | 14.4% | 1.3Pts | 1.7Pts | - | 17.4% |
| Tax | 5,642 | 279 | 485 | (5,475) | 931 |
| Tax Rate | 49.5% | -1.6Pts | -1.3Pts | -39.9Pts | 6.8% |
| Income from Continuing Operations | 5,758 | 718 | 856 | 5,475 | 12,807 |
| Income Margin from Continuing Operations | 7.3% | 0.9Pts | 1.1Pts | 6.9Pts | 16.2% |
| Diluted EPS from Continuing Operations | 6.14 | 0.77 | 0.91 | 5.84 | 13.66 |

For the twelve months ended December 31, 2016

| | <u>GAAP</u> | <u>ACQUISITION ADJUSTMENTS</u> | <u>RETIREMENT ADJUSTMENTS</u> | <u>TAX REFORM ONE-TIME CHARGE</u> | <u>OPERATING</u> |
|---|-------------|------------------------------------|-----------------------------------|---------------------------------------|------------------|
| Gross Profit | 38,516 | 494 | - | - | 39,010 |
| Gross Profit Margin | 48.2% | 0.6Pts | - | - | 48.8% |
| SG&A | 20,869 | (501) | - | - | 20,368 |
| RD&E | 5,726 | - | - | - | 5,726 |
| Other Income & Expense | 593 | (7) | (448) | - | 138 |
| Total Expense & Other Income | 26,186 | (508) | (448) | - | 25,230 |
| Pre-Tax Income from Continuing Operations | 12,330 | 1,003 | 448 | - | 13,780 |
| PTI Margin from Continuing Operations | 15.4% | 1.3Pts | 0.6Pts | - | 17.2% |
| Tax | 449 | 268 | 183 | - | 900 |
| Tax Rate | 3.6% | 1.7Pts | 1.2Pts | - | 6.5% |
| Income from Continuing Operations | 11,881 | 735 | 265 | - | 12,880 |
| Income Margin from Continuing Operations | 14.9% | 0.9Pts | 0.3Pts | - | 16.1% |
| Diluted EPS from Continuing Operations | 12.39 | 0.77 | 0.28 | - | 13.44 |

Attachment 2 (Continued): Reclassified Non-GAAP Supplementary Materials

INTERNATIONAL BUSINESS MACHINES CORPORATION
QUARTERLY GAAP TO OPERATING BRIDGES
(UNAUDITED)

\$ in millions, except for EPS numbers

For the three months ended March 31, 2017

| | <u>GAAP</u> | <u>ACQUISITION ADJUSTMENTS</u> | <u>RETIREMENT ADJUSTMENTS</u> | <u>OPERATING</u> |
|--|-------------|------------------------------------|-----------------------------------|------------------|
| Gross Profit | 7,944 | 119 | - | 8,063 |
| Gross Profit Margin | 43.8% | 0.7Pts | - | 44.4% |
| SG&A | 5,027 | (139) | - | 4,887 |
| RD&E | 1,484 | - | - | 1,484 |
| Other Income & Expense | 319 | (4) | (347) | (31) |
| Total Expense & Other Income | 6,521 | (143) | (347) | 6,031 |
| Pre-Tax Income from Continuing Operations | 1,424 | 262 | 347 | 2,033 |
| PTI Margin from Continuing Operations | 7.8% | 1.4Pts | 1.9Pts | 11.2% |
| Tax | (329) | 67 | 70 | (192) |
| Tax Rate | -23.1% | 6.3Pts | 7.4Pts | -9.4% |
| Income from Continuing Operations | 1,753 | 195 | 277 | 2,224 |
| Income Margin from Continuing Operations | 9.7% | 1.1Pts | 1.5Pts | 12.3% |
| Diluted EPS from Continuing Operations | 1.85 | 0.21 | 0.29 | 2.35 |

For the three months ended June 30, 2017

| | <u>GAAP</u> | <u>ACQUISITION ADJUSTMENTS</u> | <u>RETIREMENT ADJUSTMENTS</u> | <u>OPERATING</u> |
|--|-------------|------------------------------------|-----------------------------------|------------------|
| Gross Profit | 8,968 | 117 | - | 9,085 |
| Gross Profit Margin | 46.5% | 0.6Pts | - | 47.1% |
| SG&A | 5,033 | (129) | - | 4,904 |
| RD&E | 1,436 | - | - | 1,436 |
| Other Income & Expense | 273 | (4) | (349) | (80) |
| Total Expense & Other Income | 6,525 | (133) | (349) | 6,043 |
| Pre-Tax Income from Continuing Operations | 2,443 | 250 | 349 | 3,042 |
| PTI Margin from Continuing Operations | 12.7% | 1.3Pts | 1.8Pts | 15.8% |
| Tax | 111 | 66 | 105 | 282 |
| Tax Rate | 4.5% | 1.8Pts | 2.9Pts | 9.3% |
| Income from Continuing Operations | 2,332 | 183 | 244 | 2,760 |
| Income Margin from Continuing Operations | 12.1% | 1.0Pts | 1.3Pts | 14.3% |
| Diluted EPS from Continuing Operations | 2.48 | 0.20 | 0.26 | 2.94 |

For the three months ended September 30, 2017

| | <u>GAAP</u> | <u>ACQUISITION ADJUSTMENTS</u> | <u>RETIREMENT ADJUSTMENTS</u> | <u>OPERATING</u> |
|--|-------------|------------------------------------|-----------------------------------|------------------|
| Gross Profit | 8,981 | 114 | - | 9,095 |
| Gross Profit Margin | 46.9% | 0.6Pts | - | 47.5% |
| SG&A | 4,606 | (125) | - | 4,482 |
| RD&E | 1,291 | - | - | 1,291 |
| Other Income & Expense | 159 | 0 | (273) | (114) |
| Total Expense & Other Income | 5,917 | (125) | (273) | 5,519 |
| Pre-Tax Income from Continuing Operations | 3,065 | 238 | 273 | 3,576 |
| PTI Margin from Continuing Operations | 16.0% | 1.2Pts | 1.4Pts | 18.7% |
| Tax | 339 | 79 | 113 | 531 |
| Tax Rate | 11.0% | 1.5Pts | 2.3Pts | 14.8% |
| Income from Continuing Operations | 2,726 | 159 | 160 | 3,045 |
| Income Margin from Continuing Operations | 14.2% | 0.8Pts | 0.8Pts | 15.9% |
| Diluted EPS from Continuing Operations | 2.92 | 0.17 | 0.17 | 3.26 |

For the three months ended December 31, 2017

| | <u>GAAP</u> | <u>ACQUISITION ADJUSTMENTS</u> | <u>RETIREMENT ADJUSTMENTS</u> | <u>TAX REFORM ONE-TIME CHARGE</u> | <u>OPERATING</u> |
|--|-------------|------------------------------------|-----------------------------------|---------------------------------------|------------------|
| Gross Profit | 11,049 | 99 | - | - | 11,149 |
| Gross Profit Margin | 49.0% | 0.4Pts | - | - | 49.5% |
| SG&A | 5,013 | (116) | - | - | 4,897 |
| RD&E | 1,378 | - | - | - | 1,378 |
| Other Income & Expense | 374 | (32) | (371) | - | (30) |
| Total Expense & Other Income | 6,580 | (148) | (371) | - | 6,061 |
| Pre-Tax Income from Continuing Operations | 4,469 | 247 | 371 | - | 5,087 |
| PTI Margin from Continuing Operations | 19.8% | 1.1Pts | 1.6Pts | - | 22.6% |
| Tax | 5,522 | 67 | 197 | (5,475) | 310 |
| Tax Rate | 123.6% | -4.7Pts | -5.1Pts | -107.6Pts | 6.1% |
| Income from Continuing Operations | (1,053) | 181 | 174 | 5,475 | 4,777 |
| Income Margin from Continuing Operations | -4.7% | 0.8Pts | 0.8Pts | 24.3Pts | 21.2% |
| Diluted EPS from Continuing Operations | -1.14 | 0.19 | 0.19 | 5.90 | 5.14 |

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INTERNATIONAL BUSINESS MACHINES CORPORATION
 QUARTERLY GAAP TO OPERATING BRIDGES
 (UNAUDITED)
 \$ in millions, except for EPS numbers

For the three months ended March 31, 2016

| | GAAP | ACQUISITION ADJUSTMENTS | RETIREMENT ADJUSTMENTS | OPERATING |
|---|--------|----------------------------|---------------------------|-----------|
| Gross Profit | 8,742 | 112 | - | 8,854 |
| Gross Profit Margin | 46.8% | 0.6Pts | - | 47.4% |
| SG&A | 5,970 | (67) | - | 5,903 |
| RD&E | 1,450 | - | - | 1,450 |
| Other Income & Expense | 358 | (6) | (106) | 247 |
| Total Expense & Other Income | 7,708 | (73) | (106) | 7,530 |
| Pre-Tax Income from Continuing Operations | 1,034 | 185 | 106 | 1,324 |
| PTI Margin from Continuing Operations | 5.5% | 1.0Pts | 0.6Pts | 7.1% |
| Tax | (983) | 47 | 27 | (909) |
| Tax Rate | -95.1% | 16.8Pts | 9.6Pts | -68.7% |
| Income from Continuing Operations | 2,016 | 138 | 79 | 2,233 |
| Income Margin from Continuing Operations | 10.8% | 0.7Pts | 0.4Pts | 12.0% |
| Diluted EPS from Continuing Operations | 2.09 | 0.14 | 0.09 | 2.32 |

For the three months ended June 30, 2016

| | GAAP | ACQUISITION ADJUSTMENTS | RETIREMENT ADJUSTMENTS | OPERATING |
|---|-------|----------------------------|---------------------------|-----------|
| Gross Profit | 9,759 | 129 | - | 9,888 |
| Gross Profit Margin | 48.2% | 0.6Pts | - | 48.9% |
| SG&A | 5,287 | (159) | - | 5,127 |
| RD&E | 1,459 | - | - | 1,459 |
| Other Income & Expense | 162 | 0 | (125) | 37 |
| Total Expense & Other Income | 6,710 | (159) | (125) | 6,426 |
| Pre-Tax Income from Continuing Operations | 3,049 | 289 | 125 | 3,463 |
| PTI Margin from Continuing Operations | 15.1% | 1.4Pts | 0.6Pts | 17.1% |
| Tax | 544 | 82 | 39 | 665 |
| Tax Rate | 17.8% | 0.9Pts | 0.5Pts | 19.2% |
| Income from Continuing Operations | 2,505 | 207 | 86 | 2,798 |
| Income Margin from Continuing Operations | 12.4% | 1.0Pts | 0.4Pts | 13.8% |
| Diluted EPS from Continuing Operations | 2.61 | 0.21 | 0.09 | 2.91 |

For the three months ended September 30, 2016

| | GAAP | ACQUISITION ADJUSTMENTS | RETIREMENT ADJUSTMENTS | OPERATING |
|---|-------|----------------------------|---------------------------|-----------|
| Gross Profit | 9,068 | 129 | - | 9,197 |
| Gross Profit Margin | 47.2% | 0.7Pts | - | 47.8% |
| SG&A | 4,693 | (138) | - | 4,554 |
| RD&E | 1,391 | - | - | 1,391 |
| Other Income & Expense | 92 | (2) | (100) | (10) |
| Total Expense & Other Income | 5,805 | (140) | (100) | 5,565 |
| Pre-Tax Income from Continuing Operations | 3,263 | 269 | 100 | 3,632 |
| PTI Margin from Continuing Operations | 17.0% | 1.4Pts | 0.5Pts | 18.9% |
| Tax | 409 | 73 | 40 | 521 |
| Tax Rate | 12.5% | 1.1Pts | 0.8Pts | 14.3% |
| Income from Continuing Operations | 2,854 | 197 | 60 | 3,111 |
| Income Margin from Continuing Operations | 14.8% | 1.0Pts | 0.3Pts | 16.2% |
| Diluted EPS from Continuing Operations | 2.98 | 0.21 | 0.06 | 3.25 |

For the three months ended December 31, 2016

| | GAAP | ACQUISITION ADJUSTMENTS | RETIREMENT ADJUSTMENTS | OPERATING |
|---|--------|----------------------------|---------------------------|-----------|
| Gross Profit | 10,947 | 124 | - | 11,071 |
| Gross Profit Margin | 50.3% | 0.6Pts | - | 50.9% |
| SG&A | 4,920 | (136) | - | 4,784 |
| RD&E | 1,426 | - | - | 1,426 |
| Other Income & Expense | (19) | 0 | (116) | (136) |
| Total Expense & Other Income | 5,962 | (136) | (116) | 5,709 |
| Pre-Tax Income from Continuing Operations | 4,986 | 260 | 116 | 5,362 |
| PTI Margin from Continuing Operations | 22.9% | 1.2Pts | 0.5Pts | 24.6% |
| Tax | 480 | 66 | 77 | 623 |
| Tax Rate | 9.6% | 0.8Pts | 1.2Pts | 11.6% |
| Income from Continuing Operations | 4,505 | 193 | 40 | 4,738 |
| Income Margin from Continuing Operations | 20.7% | 0.9Pts | 0.2Pts | 21.8% |
| Diluted EPS from Continuing Operations | 4.73 | 0.20 | 0.04 | 4.97 |