

Attachment 3: Reclassified Management System Segment View

International Business Machines Corporation
Management System Segment View

	COGNITIVE SOLUTIONS	GLOBAL BUSINESS SERVICES	TECHNOLOGY SERVICES AND CLOUD PLATFORMS	SYSTEMS	GLOBAL FINANCING	TOTAL SEGMENTS
(\$M)						
1Q16						
TOTAL REVENUE	4,647	4,245	8,589	1,888	896	20,264
EXTERNAL REVENUE	3,979	4,131	8,424	1,675	410	18,619
INTERNAL REVENUE	668	113	165	212	486	1,645
SEGMENT PTI*	1,007	178	243	-12	386	1,801
PTI MARGIN*	22%	4%	3%	-1%	43%	9%
2Q16						
TOTAL REVENUE	5,269	4,359	9,013	2,156	926	21,723
EXTERNAL REVENUE	4,675	4,255	8,857	1,950	424	20,162
INTERNAL REVENUE	594	103	156	206	502	1,561
SEGMENT PTI*	1,444	463	1,263	227	467	3,863
PTI MARGIN*	27%	11%	14%	11%	50%	18%
3Q16						
TOTAL REVENUE	4,902	4,284	8,929	1,734	763	20,613
EXTERNAL REVENUE	4,235	4,191	8,748	1,558	412	19,145
INTERNAL REVENUE	667	93	180	176	352	1,468
SEGMENT PTI*	1,567	532	1,272	134	354	3,858
PTI MARGIN*	32%	12%	14%	8%	46%	19%
4Q16						
TOTAL REVENUE	5,999	4,221	9,522	2,686	909	23,337
EXTERNAL REVENUE	5,297	4,121	9,308	2,530	447	21,704
INTERNAL REVENUE	701	100	214	156	462	1,633
SEGMENT PTI*	2,306	510	1,866	577	448	5,707
PTI MARGIN*	38%	12%	20%	21%	49%	24%
2016						
TOTAL REVENUE	20,817	17,109	36,052	8,464	3,494	85,936
EXTERNAL REVENUE	18,187	16,700	35,337	7,714	1,692	79,630
INTERNAL REVENUE	2,630	409	715	750	1,802	6,307
SEGMENT PTI*	6,325	1,683	4,643	925	1,654	15,230
PTI MARGIN*	30%	10%	13%	11%	47%	18%

*Reclassified to reflect adoption of the FASB guidance on presentation of net periodic pension and nonpension postretirement benefit costs

Attachment 3 (Continued): Reclassified Management System Segment View

International Business Machines Corporation
Management System Segment View

	COGNITIVE SOLUTIONS	GLOBAL BUSINESS SERVICES	TECHNOLOGY SERVICES AND CLOUD PLATFORMS	SYSTEMS	GLOBAL FINANCING	TOTAL SEGMENTS
(\$M)						
1Q17						
TOTAL REVENUE	4,778	4,092	8,376	1,562	768	19,576
EXTERNAL REVENUE	4,062	4,006	8,216	1,395	405	18,083
INTERNAL REVENUE	716	86	160	167	363	1,492
SEGMENT PTI*	1,268	281	673	-188	311	2,346
PTI MARGIN*	27%	7%	8%	-12%	40%	12%
2Q17						
TOTAL REVENUE	5,214	4,190	8,579	1,924	705	20,612
EXTERNAL REVENUE	4,559	4,097	8,406	1,747	415	19,224
INTERNAL REVENUE	655	93	173	177	290	1,388
SEGMENT PTI*	1,610	312	994	73	282	3,270
PTI MARGIN*	31%	7%	12%	4%	40%	16%
3Q17						
TOTAL REVENUE	5,030	4,185	8,621	1,948	698	20,482
EXTERNAL REVENUE	4,400	4,093	8,457	1,721	427	19,097
INTERNAL REVENUE	629	92	164	227	272	1,384
SEGMENT PTI*	1,643	442	1,177	337	243	3,843
PTI MARGIN*	33%	11%	14%	17%	35%	19%
4Q17						
TOTAL REVENUE	6,078	4,244	9,358	3,511	997	24,188
EXTERNAL REVENUE	5,432	4,152	9,198	3,332	450	22,563
INTERNAL REVENUE	646	92	160	179	546	1,624
SEGMENT PTI*	2,273	327	1,441	906	443	5,390
PTI MARGIN*	37%	8%	15%	26%	44%	22%
2017						
TOTAL REVENUE	21,100	16,711	34,934	8,945	3,168	84,857
EXTERNAL REVENUE	18,453	16,348	34,277	8,194	1,696	78,968
INTERNAL REVENUE	2,647	363	657	750	1,471	5,889
SEGMENT PTI*	6,795	1,362	4,286	1,128	1,278	14,849
PTI MARGIN*	32%	8%	12%	13%	40%	17%

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Attachment 3A: Additional Revenue and Gross Profit Information

International Business Machines Corporation

COGNITIVE SOLUTIONS SEGMENT	1Q'16	2Q'16	3Q'16	4Q'16	FY'16	1Q'17	2Q'17	3Q'17	4Q'17	FY'17
Total External Revenue	3,979	4,675	4,235	5,297	18,187	4,062	4,559	4,400	5,432	18,453
Gross Profit \$ (External)*	3,260	3,839	3,405	4,379	14,883	3,138	3,600	3,463	4,301	14,503
Gross Margin % (External)*	81.9%	82.1%	80.4%	82.7%	81.8%	77.3%	79.0%	78.7%	79.2%	78.6%

GLOBAL BUSINESS SERVICES SEGMENT	1Q'16	2Q'16	3Q'16	4Q'16	FY'16	1Q'17	2Q'17	3Q'17	4Q'17	FY'17
Total External Revenue	4,131	4,255	4,191	4,121	16,700	4,006	4,097	4,093	4,152	16,348
Gross Profit \$ (External)*	1,057	1,109	1,195	1,097	4,457	938	1,011	1,108	1,021	4,077
Gross Margin % (External)*	25.6%	26.1%	28.5%	26.6%	26.7%	23.4%	24.7%	27.1%	24.6%	24.9%

TECHNOLOGY SERVICES AND CLOUD PLATFORMS	1Q'16	2Q'16	3Q'16	4Q'16	FY'16	1Q'17	2Q'17	3Q'17	4Q'17	FY'17
Total External Revenue	8,424	8,857	8,748	9,308	35,337	8,216	8,406	8,457	9,198	34,277
Gross Profit \$ (External)*	3,437	3,672	3,665	3,983	14,757	3,188	3,400	3,462	3,752	13,802
Gross Margin % (External)*	40.8%	41.5%	41.9%	42.8%	41.8%	38.8%	40.4%	40.9%	40.8%	40.3%

SYSTEMS SEGMENT	1Q'16	2Q'16	3Q'16	4Q'16	FY'16	1Q'17	2Q'17	3Q'17	4Q'17	FY'17
Total External Revenue	1,675	1,950	1,558	2,530	7,714	1,395	1,747	1,721	3,332	8,194
Gross Profit \$ (External)*	959	1,102	796	1,439	4,296	662	920	923	1,857	4,362
Gross Margin % (External)*	57.2%	56.5%	51.1%	56.9%	55.7%	47.5%	52.7%	53.6%	55.7%	53.2%

GLOBAL FINANCING SEGMENT	1Q'16	2Q'16	3Q'16	4Q'16	FY'16	1Q'17	2Q'17	3Q'17	4Q'17	FY'17
Total External Revenue	410	424	412	447	1,692	405	415	427	450	1,696
Gross Profit \$ (External)*	174	164	156	162	655	129	128	108	133	497
Gross Margin % (External)*	42.4%	38.7%	37.8%	36.2%	38.7%	31.8%	30.8%	25.2%	29.5%	29.3%

TOTAL SEGMENTS	1Q'16	2Q'16	3Q'16	4Q'16	FY'16	1Q'17	2Q'17	3Q'17	4Q'17	FY'17
Total External Revenue	18,619	20,162	19,145	21,704	79,630	18,083	19,224	19,097	22,563	78,968
Gross Profit \$ (External)*	8,887	9,886	9,216	11,060	39,050	8,055	9,059	9,064	11,064	37,241
Gross Margin % (External)*	47.7%	49.0%	48.1%	51.0%	49.0%	44.5%	47.1%	47.5%	49.0%	47.2%

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