

2Q 2010 Earnings Presentation

July 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. Forward-looking statements are based on the company's current assumptions regarding future business and financial performance. Those statements by their nature address matters that are uncertain to different degrees. 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.

Any forward-looking statement made during this presentation speaks only as of the date on which it is made. The company assumes no obligation to update or revise any forward-looking statements.

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

2Q 2010 Highlights

EPS	\$2.61	+13% yr/yr
-----	--------	------------

- Revenue growth rate improved in all brands and all geographies @CC
 - Growth markets +9% yr/yr @CC, led by BRICs +16% yr/yr @CC
 - Power midrange +11% yr/yr
 - Business analytics +14% yr/yr
- Continued margin expansion
 - Led by Software and Global Business Services
 - Focus on productivity
- Cash flow generation supports ongoing investments and shareholder returns
 - Announced >\$3B of acquisitions in first half
 - \$8B share repurchase and almost \$2B dividends in first half

Increasing EPS expectations to at least \$11.25 in 2010

Financial Summary

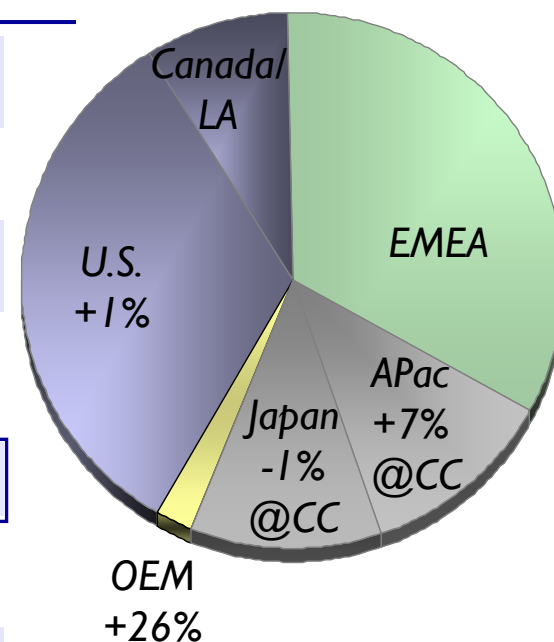
\$ in Billions, except EPS	B/(W)	
	<u>2Q10</u>	<u>Yr/Yr</u>
Revenue	\$23.7	2%
@CC		2%
GP %	45.6%	0.1 pts
Expense	\$6.2	1%
Pre-Tax Income	\$4.6	7%
PTI Margin	19.3%	1.0 pts
Tax Rate	26.0%	1.2 pts
Net Income	\$3.4	9%
Shares (Diluted) (M)	1,296.7	3%
EPS	\$2.61	13%

Improving revenue growth and margin expansion drive profit performance

Revenue by Geography

\$ in Billions

	2Q10	B/(W) Yr/Yr		2Q10 Yr/Yr vs.
		Rptd	@CC	1Q10 Yr/Yr @CC
Americas	\$10.2	3%	2%	+2 pts
Europe/ME/A	7.4	(6%)	(1%)	+1 pts
Asia Pacific	5.4	9%	3%	+2 pts
OEM	0.7	26%	26%	+8 pts
IBM	\$23.7	2%	2%	+2 pts
<i>Major Markets</i>		<i>(1%)</i>	<i>(1%)</i>	<i>+1 pts</i>
<i>Growth Markets</i>		<i>14%</i>	<i>9%</i>	<i>+1 pts</i>
<i>BRIC Countries</i>		<i>22%</i>	<i>16%</i>	<i>+3 pts</i>

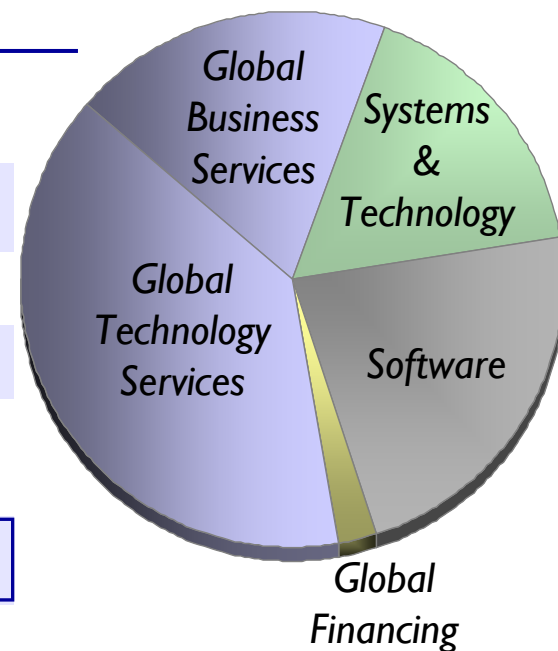


Growth markets now as large as Euro-based business

Revenue by Segment

\$ in Billions

	<u>2Q10</u>	<u>B/(W) Rptd</u>	<u>Yr/Yr @CC</u>	<u>2Q10 Yr/Yr vs. 1Q10 Yr/Yr @CC</u>
Global Technology Services	\$9.2	1%	Flat	+ <1 pts
Global Business Services	4.5	3%	3%	+8 pts
Software	5.3	6%*	6%*	+1 pts*
Systems & Technology	4.0	3%	4%	+2 pts
Global Financing	0.5	(4%)	(5%)	+7 pts
Total IBM	\$23.7	2%	2%	+2 pts



* Revenue growth excluding PLM

Broad-based improvement in revenue growth rate

Expense Summary

\$ in Billions	<u>2Q10</u>	<u>B/(W) Yr/Yr</u>	<u>B/(W) Yr/Yr Drivers</u>		
			<u>Currency</u>	<u>Acq.*</u>	<u>Ops</u>
SG&A	\$5.1	1%	(1 pts)	(2 pts)	4 pts
RD&E	1.5	(3%)	(1 pts)	(1 pts)	(1 pts)
IP and Development Income	(0.3)	(2%)			
Other (Income)/Expense	(0.1)	nm			
Interest Expense	<u>0.1</u>	11%			
Total Expense & Other Income	\$6.2	1%	(2 pts)	(2 pts)	5 pts

* Includes acquisitions made in the last twelve months

8th consecutive quarter of operational expense improvement

Margins by Segment

	External Gross Profit Margins		Total Pre-Tax Margins	
	<u>2Q10</u>	<u>B/(W) Yr/Yr Pts</u>	<u>2Q10</u>	<u>B/(W) Yr/Yr Pts</u>
Global Technology Services	34.6%	(0.2 pts)	14.9%	Flat
Global Business Services	28.5%	1.3 pts	14.6%	1.3 pts
Software	87.1%	1.2 pts	33.3%	1.3 pts
Systems & Technology	36.1%	(1.0 pts)	5.3%	(2.9 pts)
Global Financing	50.1%	3.0 pts	47.4%	1.6 pts
Total IBM	45.6%	0.1 pts	19.3%	1.0 pts

Margin expansion led by Global Business Services and Software

Services Segments

Global Technology Services (GTS)

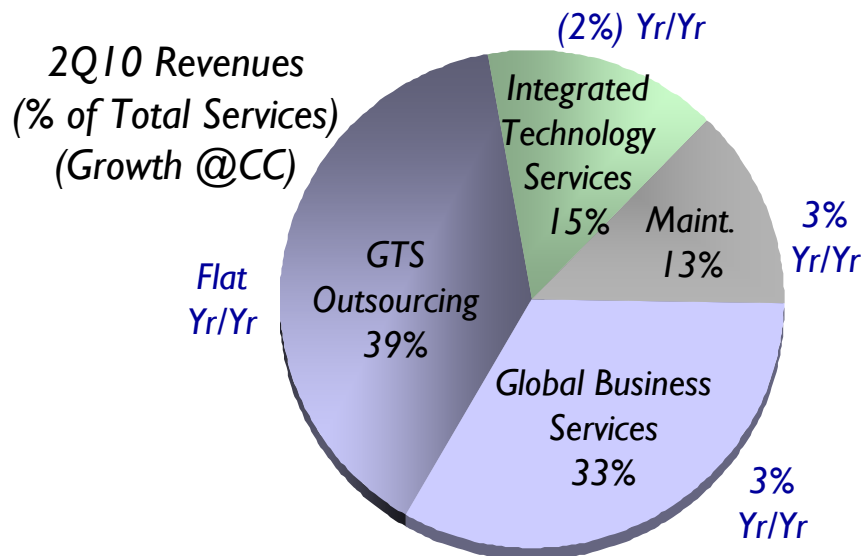
\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>2Q10</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$9.2	1%	Flat
Gross Margin (External)	34.6%	(0.2 pts)	
PTI Margin	14.9%	Flat	

Global Business Services (GBS)

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>2Q10</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$4.5	3%	3%
Gross Margin (External)	28.5%	1.3 pts	
PTI Margin	14.6%	1.3 pts	

Global Services Signings

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>2Q10</u>	<u>Rptd</u>	<u>@CC</u>
Outsourcing - GTS O/S, Appl. O/S (AMS)	\$6.5	(19%)	(19%)
Transactional - ITS, Consulting, AMS SI	5.8	(3%)	(3%)
Total Signings	\$12.3	(12%)	(12%)



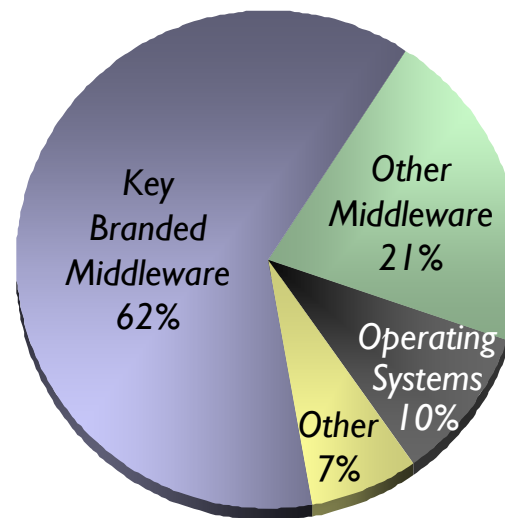
Return to revenue growth with positive trends

Software Segment

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>2Q10</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External) excl. PLM	\$5.3	6%	6%
<i>Revenue (External) incl. PLM</i>	<i>\$5.3</i>	<i>2%</i>	<i>2%</i>
Gross Margin (External)	87.1%	1.2 pts	
PTI Margin	33.3%	1.3 pts	

<u>2Q10 Revenue</u>	<u>Yr/Yr</u>	
	<u>Rptd</u>	<u>@CC</u>
WebSphere Family	17%	16%
Information Management	7%	7%
Tivoli	18%	19%
Lotus	(6%)	(6%)
Rational	1%	2%
Key Branded Middleware	9%	10%
Total Middleware	6%	6%
Total Software excl. PLM	6%	6%

2Q10 Revenue
(% of Total Software)



Continued share gains in Branded Middleware

Systems & Technology Segment

\$ in Billions

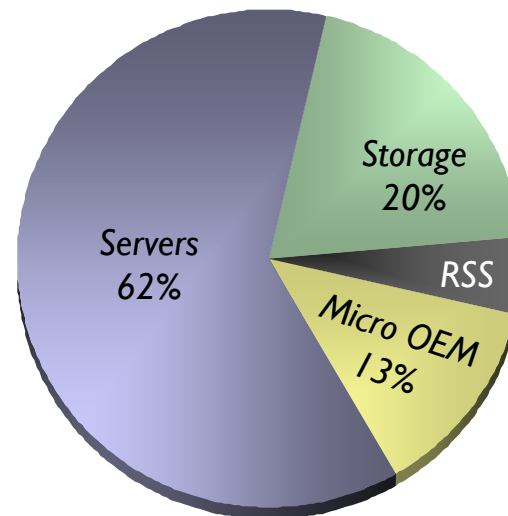
		<u>B/(W) Yr/Yr</u>	
	<u>2Q10</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$4.0	3%	4%
Gross Margin (External)	36.1%	(1.0 pts)	
PTI Margin	5.3%	(2.9 pts)	

2Q10 Revenue

Yr/Yr

	<u>Rptd</u>	<u>@CC</u>
System z	(24%)	(22%)
Power Systems	(10%)	(10%)
Midrange	11%	12%
System x	30%	30%
Storage	5%	6%
Disk	12%	14%
Retail Store Solutions	31%	33%
Total Systems	1%	2%
Microelectronics OEM	23%	23%
Total Systems & Technology	3%	4%

2Q10 Revenue
(% of Total Sys & Tech)



New System z and Power7 high-end in 3Q

Cash Flow Analysis

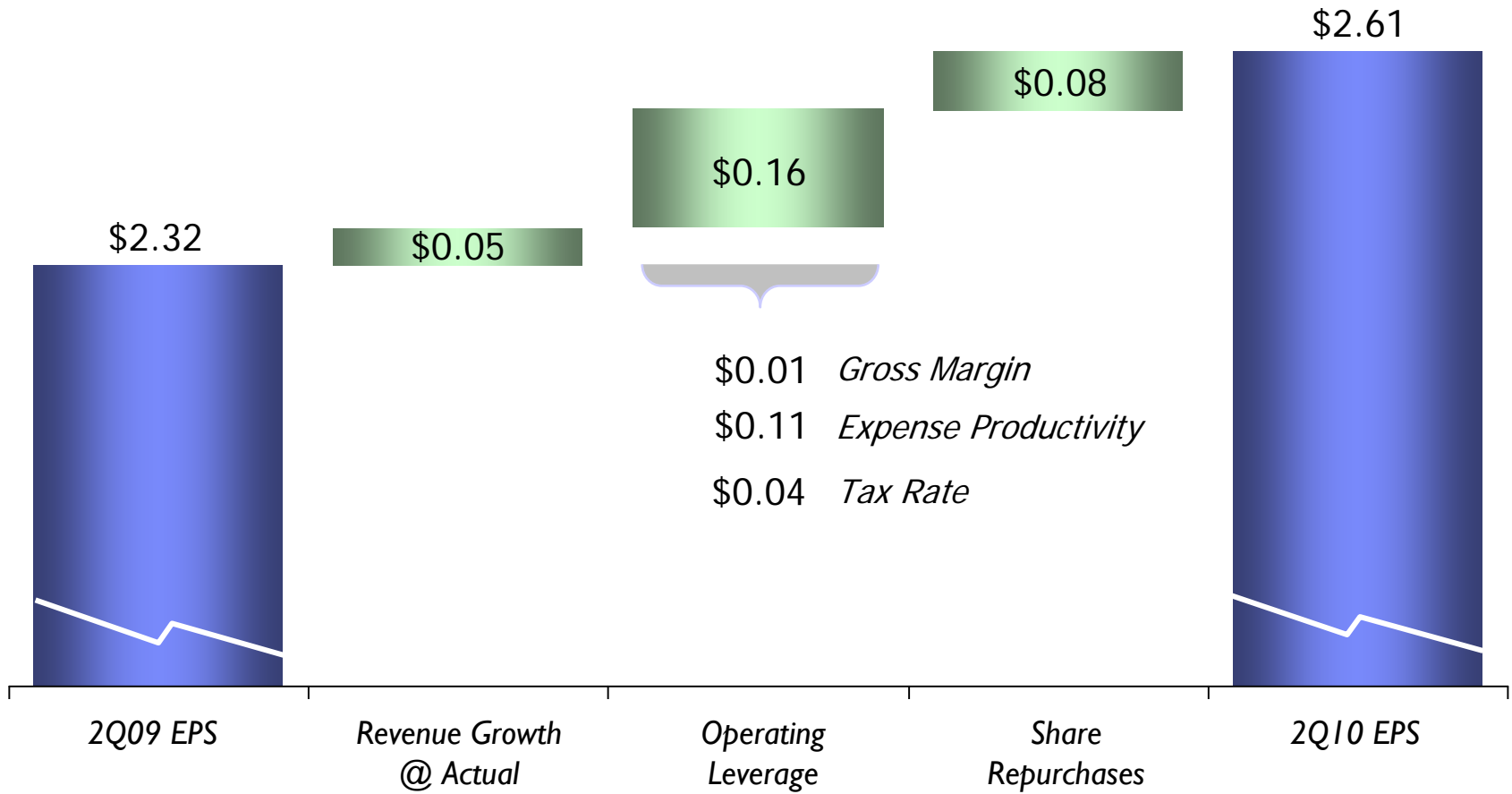
\$ in Billions	<u>2Q10</u>	<u>B/(W)</u> <u>Yr/Yr</u>	<u>YTD</u> <u>1H10</u>	<u>B/(W)</u> <u>Yr/Yr</u>
Net Cash from Operations	\$3.8	(\$1.0)	\$8.2	(\$0.9)
Less: Global Financing Receivables	<u>(0.2)</u>	<u>(0.6)</u>	<u>1.9</u>	<u>(1.1)</u>
Net Cash from Operations (excluding GF Receivables)	4.0	(0.3)	6.3	0.2
Net Capital Expenditures	<u>(1.0)</u>	<u>(0.1)</u>	<u>(1.9)</u>	<u>(0.2)</u>
Free Cash Flow (excluding GF Receivables)	3.0	(0.4)	4.4	0.0
Acquisitions	(0.2)	(0.1)	(1.0)	(0.9)
Divestitures	0.0	0.0	0.0	(0.4)
Dividends	(0.8)	(0.1)	(1.6)	(0.1)
Share Repurchases	(4.1)	(2.4)	(8.1)	(4.7)
Non-GF Debt	0.9	1.2	1.3	3.4
Other (includes GF A/R & GF Debt)	<u>(0.5)</u>	<u>(0.1)</u>	<u>3.2</u>	<u>1.3</u>
Change in Cash & Marketable Securities	(\$1.7)	(\$2.0)	(\$1.7)	(\$1.4)

Balance Sheet Summary

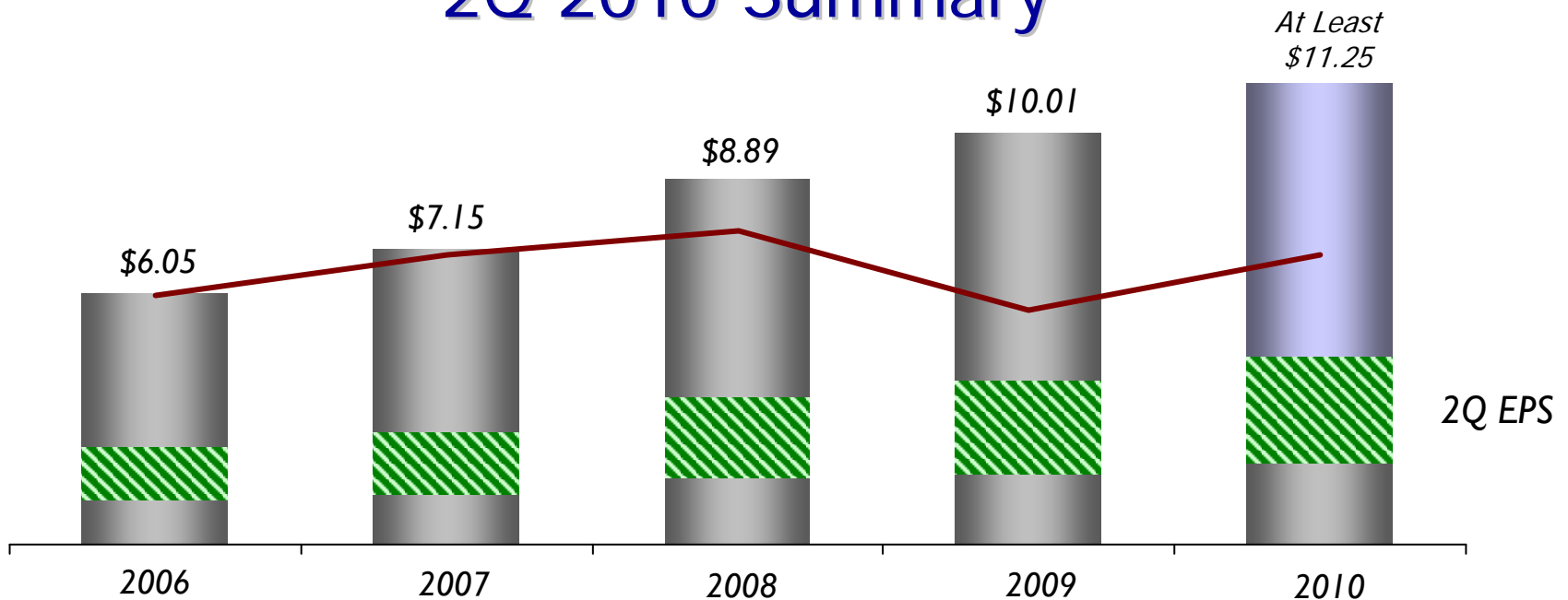
\$ in Billions	<u>June 09</u>	<u>Dec. 09</u>	<u>June 10</u>
Cash & Marketable Securities	\$12.5	\$14.0	\$12.2
Non-GF Assets*	60.2	61.7	61.6
Global Financing Assets	30.9	33.3	29.5
Total Assets	103.7	109.0	103.4
Other Liabilities	58.8	60.2	55.6
Non-GF Debt*	6.6	3.7	5.5
Global Financing Debt	22.8	22.4	21.2
Total Debt	29.4	26.1	26.7
Total Liabilities	88.2	86.3	82.2
Equity	15.5	22.8	21.2
Non-GF Debt / Capital	35%	16%	23%
Global Financing Leverage	6.9	7.1	7.1

* Includes eliminations of inter-company activity

EPS Bridge – 2Q09 to 2Q10



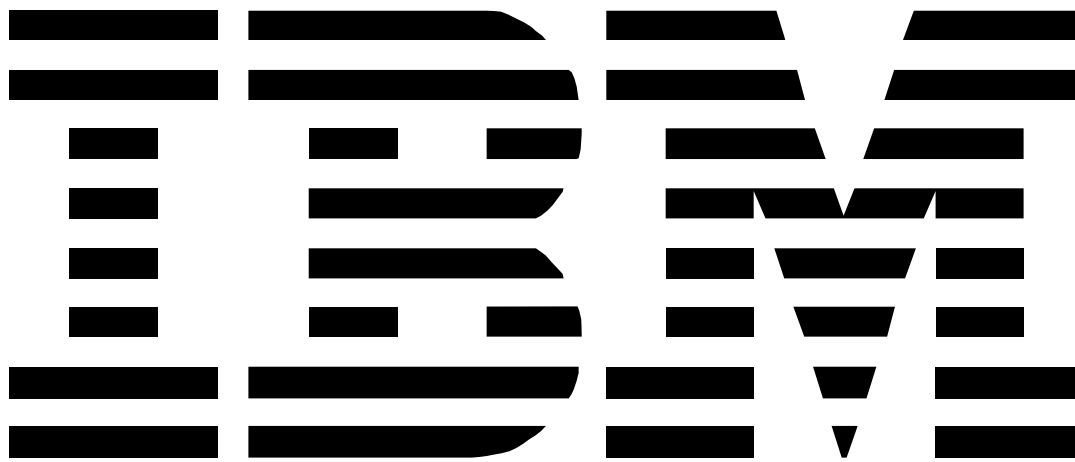
2Q 2010 Summary



— Dow indexed to IBM 2006 EPS, excludes Financials and GM for all periods. Data Source: Bloomberg
 Note: 2006-2008 EPS reflects the adoption of amendments to ASC 260, "Earnings Per Share"

- Double-digit earnings growth off strong base
- Steady improvement in the business
- Investing for growth
- Superior shareholder returns

Increasing EPS expectations to at least \$11.25 in 2010



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
- Services Transactional Signings Trends
- Supplemental Segment Information – Systems & Technology, Software
- Global Financing Portfolio
- Revenue by Key Industry Sales Unit
- Cash Flow (FAS 95)
- Supplemental Information – Operating Earnings
- Non-GAAP Supplementary Materials
 - Constant Currency, Cash Flow
 - Debt-to-Capital Ratio, PLM Sale
 - Reconciliation of Total Revenue Growth Rates
 - Reconciliation of Revenue Growth Rates - Segments, Geographies
 - Reconciliation of Geography Revenue Growth
 - Reconciliation of Services Segment Revenue Growth Rates
 - Reconciliation of Debt-to-Capital Ratio

Currency – Year/Year Comparison

Quarterly Averages per US \$

	<u>1Q10</u>	<u>Yr/Yr</u>	<u>2Q10</u>	<u>Yr/Yr</u>	<u>7/16 Spot</u>	<u>Yr/Yr @ 7/16 Spot</u>		
						<u>3Q10</u>	<u>4Q10</u>	<u>FY10</u>
Euro	0.72	6%	0.79	(7%)	0.77	(11%)	(14%)	(6%)
Pound	0.64	8%	0.67	(4%)	0.65	(7%)	(6%)	(2%)
Yen	91	3%	92	5%	87	7%	3%	5%

Revenue Impact - Pts	5 pts	0 pts	~(1 pts)	(3-4 pts)	~0 pts
@ 7/2/10 Rates - \$B	\$1.2	\$0.1			

Vs. 4/19 View - Pts B/(W)	(2 pts)	(1 pts)	(1 pts)	(1 pts)
- \$B B/(W)	(\$0.5)	(\$0-0.5)	(\$0-0.5)	~(\$1.0)

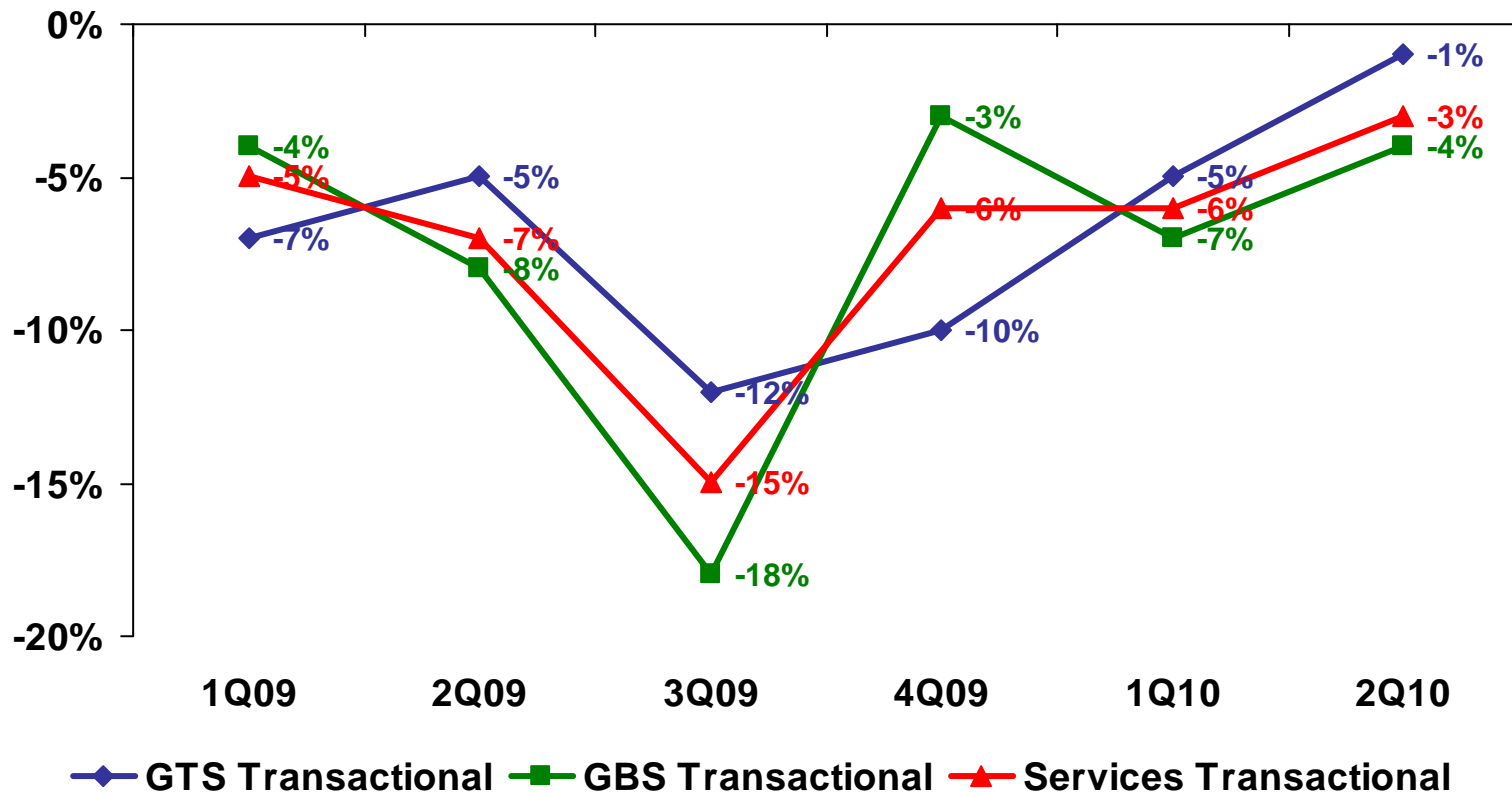
Vs. 1/19 View - Pts B/(W)	(1-2 pts)	(4 pts)	(2-3 pts)	(3 pts)	(3 pts)
- \$B B/(W)	(\$0.3)	(\$0.9)	~(\$0.5)	(\$0.5-1.0)	~(\$3.0)

Supplemental Segment Information – 2Q 2010

<i>Global Services</i>	<u>Revenue Growth</u>		<i>Global Services</i>	<u>Backlog</u>
	<u>Yr/Yr</u>	<u>@CC</u>		<u>2Q10</u>
GTS Outsourcing	2%	Flat	Backlog	\$129B
Integrated Tech Services	(2%)	(2%)	<u>Change in Backlog due to Currency</u>	
Maintenance	<u>5%</u>	<u>3%</u>	Quarter-to-Quarter	(\$4B)
Global Technology Services	1%	Flat	Year-to-Year	(\$3B)
Global Business Services	3%	3%		

Services Transactional Signings Trends

Services Transactional Signings Yr/Yr Growth @CC



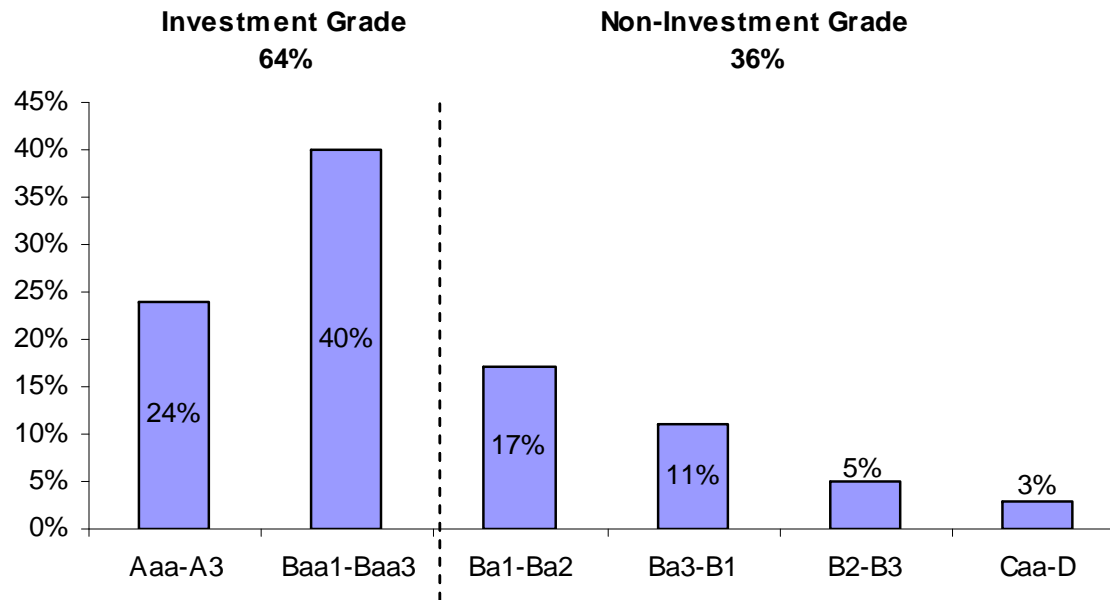
Supplemental Segment Information – 2Q 2010

Systems & Technology	Revenue Growth				Software	Revenue Growth	
	Yr/Yr	@CC	GP%	Share		Yr/Yr	@CC
System z *	(24%)	(22%)	↓	↑	WebSphere Family	17%	16%
Power Systems	(10%)	(10%)	↓	↑	Information Management	7%	7%
System x	30%	30%	↑	=	Tivoli	18%	19%
Storage	5%	6%	↑	=	Lotus	(6%)	(6%)
Retail Store Solutions	31%	33%	↑	↑	Rational	<u>1%</u>	<u>2%</u>
Total Systems	1%	2%	↓	↓	Key Branded Middleware	9%	10%
Microelectronics OEM	23%	23%	↑		Other Middleware	<u>(3%)</u>	<u>(4%)</u>
Total Systems & Technology	3%	4%	↓		Total Middleware	6%	6%
					Operating Systems	2%	2%
					Other Software/Services	<u>(28%)</u>	<u>(28%)</u>
					Total Software excl. PLM	6%	6%
					Total Software incl. PLM	2%	2%

* MIPS down 14% yr/yr

Global Financing Portfolio

2Q10 – \$21.9B Net External Receivables



	<u>2Q10</u>	<u>1Q10</u>	<u>2Q09</u>
Identified Loss Rate	1.8%	1.9%	1.7%
Anticipated Loss Rate	0.3%	0.4%	0.6%
Reserve Coverage	2.1%	2.3%	2.3%
Client Days Delinquent Outstanding	3.7	3.3	3.4
Commercial A/R > 30 Days	\$27M	\$49M	\$48M

Revenue by Key Industry Sales Unit

\$ in Billions

B/(W) Yr/Yr

2Q10 Rptd @CC

Financial Services

\$6.7 4% 3%

Public

3.9 (2%) (2%)

Industrial

2.4 (3%) (3%)

Distribution

2.4 5% 5%

Communications

2.3 (1%) (2%)

General Business

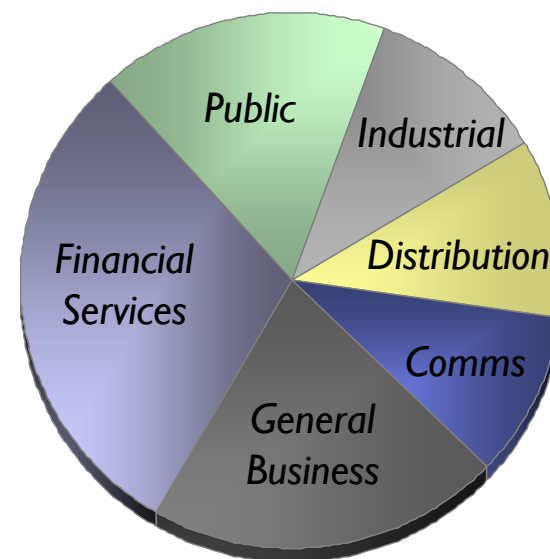
4.7 5% 5%

All Sectors

\$23.1 2% 1%

Total IBM

\$23.7 2% 2%



Cash Flow (FAS 95)

\$ in Billions	<u>QTD</u> <u>2Q10</u>	<u>QTD</u> <u>2Q09</u>	<u>YTD</u> <u>1H10</u>	<u>YTD</u> <u>1H09</u>
Net Income from Operations	\$3.4	\$3.1	\$6.0	\$5.4
Depreciation / Amortization of Intangibles	1.2	1.2	2.4	2.5
Stock-based Compensation	0.2	0.1	0.3	0.3
Working Capital / Other	(0.7)	(0.2)	(2.4)	(2.0)
Global Financing A/R	(0.2)	0.4	1.9	3.0
Net Cash provided by Operating Activities	3.8	4.7	8.2	9.1
Capital Expenditures, net of payments & proceeds	(1.0)	(0.9)	(1.9)	(1.6)
Divestitures, net of cash transferred	0.0	0.0	0.0	0.4
Acquisitions, net of cash acquired	(0.2)	(0.1)	(1.0)	(0.1)
Marketable Securities / Other Investments, net	(0.8)	(0.9)	0.2	(0.5)
Net Cash used in Investing Activities	(1.9)	(1.8)	(2.6)	(1.9)
Debt, net of payments & proceeds	0.2	(1.6)	0.7	(4.0)
Dividends	(0.8)	(0.7)	(1.6)	(1.4)
Common Stock Repurchases	(4.1)	(1.7)	(8.1)	(3.4)
Common Stock Transactions - Other	0.9	0.3	1.8	0.5
Net Cash used in Financing Activities	(3.7)	(3.7)	(7.1)	(8.3)
Effect of Exchange Rate changes on Cash	(0.2)	0.2	(0.3)	0.0
Net Change in Cash & Cash Equivalents	(\$2.1)	(\$0.6)	(\$1.9)	(\$1.1)

Supplemental Information – Operating Earnings

The company is including a view of the impact of certain acquisition-related charges and certain retirement-related elements on IBM's earnings results (Operating Earnings).

The company believes that providing investors with a view of operating earnings will provide better transparency into the operational results of the business; improve visibility to management decisions and their impacts on operational performance; enable better comparison to peer companies; and, allow the company to provide a long-term strategic view of the business going forward.



Supplemental Information – Operating Earnings - 2010

\$ in Millions, except EPS

1Q10

2Q10

As Reported

Pre-Tax Income	\$3,515	\$4,575
Net Income	\$2,601	\$3,386
EPS	\$1.97	\$2.61

Adjustments

Pre-Tax Income Total	\$41	\$9
Non-Operating Pension*	(76)	(113)
Acquisition-Related Charges**	116	122
Tax Impact***	(\$4)	7
Net Income	\$37	\$17
EPS	\$0.03	\$0.01

Operating (Non-GAAP)

Pre-Tax Income	\$3,556	\$4,584
Net Income	\$2,638	\$3,402
EPS	\$2.00	\$2.62

* Includes Retirement Related Interest Cost, Expected ROA, Recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance

** Includes Amortization of Purchased Intangibles, In Process R&D, Severance Cost for Acquired employees, vacant space for acquired companies, deal costs

*** The tax impact on the Operating (Non-GAAP) Pre Tax Income will be calculated under the same accounting principles applied to the As Reported Pre Tax Income under ACS 740, which employs an annual effective tax rate concept to the results.



Supplemental Information – Operating Earnings - 2009

\$ in Millions, except EPS

1Q09

2Q09

3Q09

4Q09

FY09

As Reported

Pre-Tax Income	\$3,122	\$4,262	\$4,373	\$6,381	\$18,138
Net Income	\$2,295	\$3,103	\$3,214	\$4,813	\$13,425
EPS	\$1.70	\$2.32	\$2.40	\$3.59	\$10.01

Adjustments

Pre-Tax Income Total	\$31	(\$23)	\$3	(\$22)	(\$12)
Non-Operating Pension*	(94)	(145)	(121)	(149)	(509)
Acquisition-Related Charges**	125	122	124	127	498
Tax Impact***	(\$2)	\$14	\$8	\$19	\$39
Net Income	\$29	(\$9)	\$10	(\$3)	\$27
EPS	\$0.02	(\$0.01)	\$0.01	\$0.00	\$0.02

Operating (Non-GAAP)

Pre-Tax Income	\$3,153	\$4,239	\$4,375	\$6,359	\$18,126
Net Income	\$2,324	\$3,094	\$3,224	\$4,810	\$13,452
EPS	\$1.72	\$2.31	\$2.41	\$3.59	\$10.03

* Includes Retirement Related Interest Cost, Expected ROA, Recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance

** Includes Amortization of Purchased Intangibles, In Process R&D, Severance Cost for Acquired employees, vacant space for acquired companies, deal costs

*** The tax impact on the Operating (Non-GAAP) Pre Tax Income will be calculated under the same accounting principles applied to the As Reported Pre Tax Income under ACS 740, which employs an annual effective tax rate concept to the results.



Supplemental Information – Operating Earnings - 2008

\$ in Millions, except EPS

1Q08

2Q08

3Q08

4Q08

FY08

As Reported

Pre-Tax Income	\$3,198	\$3,814	\$3,895	\$5,808	\$16,715
Net Income	\$2,319	\$2,765	\$2,824	\$4,427	\$12,334
EPS	\$1.64	\$1.97	\$2.04	\$3.27	\$8.89

Adjustments

Pre-Tax Income Total	(\$6)	\$24	\$2	(\$167)	(\$147)
Non-Operating Pension*	(121)	(140)	(132)	(297)	(691)
Acquisition-Related Charges**	115	165	134	130	544
Tax Impact***	\$13	\$27	(\$5)	\$70	\$105
Net Income	\$7	\$52	(\$3)	(\$97)	(\$41)
EPS	\$0.00	\$0.04	\$0.00	(\$0.07)	(\$0.03)

Operating (Non-GAAP)

Pre-Tax Income	\$3,191	\$3,839	\$3,897	\$5,642	\$16,569
Net Income	\$2,325	\$2,817	\$2,821	\$4,330	\$12,293
EPS	\$1.65	\$2.01	\$2.04	\$3.20	\$8.86

* Includes Retirement Related Interest Cost, Expected ROA, Recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance

** Includes Amortization of Purchased Intangibles, In Process R&D, Severance Cost for Acquired employees, vacant space for acquired companies, deal costs

*** The tax impact on the Operating (Non-GAAP) Pre Tax Income will be calculated under the same accounting principles applied to the As Reported Pre Tax Income under ACS 740, which employs an annual effective tax rate concept to the results.

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.

PLM Sale

Management presents certain financial results excluding the effects of the PLM sale. In March 2010, the company completed the sale of its activities associated with the sales and support of Dassault Systemes' (Dassault) product lifecycle management (PLM) software, including customer contracts and related assets to Dassault. Given this sale, management believes that presenting financial information regarding revenue and software segment revenue without this item is more representative of 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 Revenue Growth Rates

2Q10 Yr/Yr vs. 4Q09 Yr/Yr

As Rptd

@CC

Total Revenue

1 pts

7 pts

The above serves to reconcile the Non-GAAP financial information contained in the "2Q 2010 Financial Highlights" discussion regarding revenue growth 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 Revenue Growth Rates

2Q10 Yr/Yr vs. 1Q10 Yr/Yr

	<u>As Rptd</u>	<u>@CC</u>
Global Technology Services	(5 pts)	<1 pts
Global Business Services	3 pts	8 pts
Software	(8 pts)	(3 pts)
Software, excluding PLM Sale	(4 pts)	1 pts
Systems & Technology	(1 pts)	2 pts
Global Financing	3 pts	7 pts
Total Revenue	(3 pts)	2 pts
Americas	1 pts	2 pts
EMEA	(11 pts)	1 pts
Asia	Flat	2 pts
OEM	8 pts	8 pts
Major Markets	(3 pts)	1 pts
Growth Markets	(6 pts)	1 pts
BRIC	(1 pts)	3 pts

The above serves to reconcile the Non-GAAP financial information contained in the "2Q 2010 Financial Highlights," "Revenue by Segment" and "Revenue by Geography" discussion regarding segment revenue growth in the company's earnings presentation. The above reconciles the sequential change from 1Q10 to 2Q10. See Slide 29 and 30 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>2010 Yr/Yr</u>	
	<u>As Rptd</u>	<u>@CC</u>
Asia Pacific, other than Japan	14%	7%
Japan	5%	(1%)
UK	6%	11%

The above serves to reconcile the Non-GAAP financial information contained in the "Revenue by Geography" discussion regarding revenue growth in certain geographies/countries 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 Services Segment Revenue Growth

	<u>2Q10 Yr/Yr</u>	
	<u>As Rptd</u>	<u>@CC</u>
Growth Markets – GTS Outsourcing	19%	8%
Growth Markets - ITS	13%	8%
North America – Consulting & AMS	10%	8%

The above serves to reconcile the Non-GAAP financial information contained in the "Services Segment" discussion regarding revenue growth in certain segments 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>2Q10</u>	<u>FY09</u>	<u>2Q09</u>
Non-Global Financing Debt / Capital	23%	16%	35%
IBM Consolidated Debt / Capital	56%	53%	65%

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 30 of this presentation for additional information on the use of these Non-GAAP financial measures.

