Forward Looking Statements and Non-GAAP Information

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.

In an effort to provide additional and useful information regarding the company’s financial results and other financial information as determined by generally accepted accounting principles (GAAP), the company also discusses, in its earnings press release and earnings presentation materials, certain non-GAAP information including "operating earnings" and other "operating" financial measures. The rationale for management’s use of this non-GAAP information, the reconciliation of that information to GAAP, and other related information are included in supplemental materials entitled “Non-GAAP Supplemental Materials” that are posted on the Company’s investor relations web site at http://www.ibm.com/investor/4q13/ The Non-GAAP Supplemental Materials are also included as Attachment II to the Company’s Form 8-K dated January 21, 2014.
2013 Summary

Momentum in key growth areas drives mix to higher value Software and GBS
- Software growth across the portfolio
- Services revenue performance stable, growth led by GBS

Hardware impacted by product cycle and business model challenges

Maintained high investment level, targeted to key growth areas

Expanded gross and net margins
- Improving business mix
- Ongoing productivity initiatives
- Lower tax rate

Significant shareholder returns

Continue to expect at least $20 Operating EPS in 2015
### Key Financial Metrics

$ in Billions, except EPS

#### P&L Highlights

<table>
<thead>
<tr>
<th></th>
<th>4Q13</th>
<th>B/(W)</th>
<th>Yr/Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$27.7</td>
<td>(5%)</td>
<td></td>
</tr>
<tr>
<td>@CC</td>
<td></td>
<td>(3%)</td>
<td></td>
</tr>
<tr>
<td>PTI – Operating</td>
<td>$7.4</td>
<td>(8%)</td>
<td></td>
</tr>
<tr>
<td>NI – Operating</td>
<td>$6.6</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>EPS – Operating</td>
<td>$6.13</td>
<td>14%</td>
<td></td>
</tr>
</tbody>
</table>

#### P&L Ratios (Operating)

<table>
<thead>
<tr>
<th></th>
<th>4Q13</th>
<th>B/(W)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GP Margin</td>
<td>52.6%</td>
<td>0.3 pts</td>
</tr>
<tr>
<td>PTI Margin</td>
<td>26.8%</td>
<td>(0.8 pts)</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>11.0%</td>
<td>13.5 pts</td>
</tr>
<tr>
<td>NI Margin</td>
<td>23.9%</td>
<td>3.0 pts</td>
</tr>
</tbody>
</table>

#### Cash Highlights

<table>
<thead>
<tr>
<th></th>
<th>4Q13</th>
<th>Last 12 Mos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow (excl GF Receivables)</td>
<td>$8.4</td>
<td>$15.0</td>
</tr>
<tr>
<td>Share Repurchase (Gross)</td>
<td>5.8</td>
<td>13.9</td>
</tr>
<tr>
<td>Dividends</td>
<td>1.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Cash Balance @ Dec. 31</td>
<td>11.1</td>
<td></td>
</tr>
</tbody>
</table>
## Revenue by Geography

<table>
<thead>
<tr>
<th>Region</th>
<th>4Q13 $ in Billions</th>
<th>B/(W) Yr/Yr Rptd</th>
<th>@CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>$12.2</td>
<td>(3%)</td>
<td>(2%)</td>
</tr>
<tr>
<td>Europe/ME/A</td>
<td>9.2</td>
<td>1%</td>
<td>(2%)</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>5.9</td>
<td>(16%)</td>
<td>(6%)</td>
</tr>
<tr>
<td><strong>Total Geographies</strong></td>
<td><strong>$27.2</strong></td>
<td><strong>(5%)</strong></td>
<td><strong>(3%)</strong></td>
</tr>
<tr>
<td>IBM</td>
<td>$27.7</td>
<td>(5%)</td>
<td>(3%)</td>
</tr>
</tbody>
</table>

- **Major Markets**: (3%) (2%)
- **Growth Markets**: (9%) (6%)
- **BRIC Countries**: (14%) (11%)
### Revenue and Gross Profit Margin by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue $ in Billions</th>
<th>B/(W) Yr/Yr</th>
<th>Operating Gross Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q13</td>
<td>Rptd @CC</td>
<td>4Q13</td>
</tr>
<tr>
<td>Global Technology Services</td>
<td>$9.9</td>
<td>(4%) (1%)</td>
<td>38.8%</td>
</tr>
<tr>
<td>Global Business Services</td>
<td>4.7</td>
<td>1% 4%</td>
<td>30.7%</td>
</tr>
<tr>
<td>Software</td>
<td>8.1</td>
<td>3% 4%</td>
<td>90.5%</td>
</tr>
<tr>
<td>Systems &amp; Technology</td>
<td>4.3</td>
<td>(26%) (25%)</td>
<td>38.6%</td>
</tr>
<tr>
<td>Global Financing</td>
<td>0.5</td>
<td>Flat 3%</td>
<td>43.3%</td>
</tr>
<tr>
<td>Total Revenue &amp; Op. GP Margin</td>
<td>$27.7</td>
<td>(5%) (3%)</td>
<td>52.6%</td>
</tr>
</tbody>
</table>

Margin expansion driven by Services and mix to Software
## Expense Summary

<table>
<thead>
<tr>
<th>$ in Billions</th>
<th>4Q13</th>
<th>B/(W) Yr/Yr</th>
<th>B/(W) Yr/Yr Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Currency</td>
</tr>
<tr>
<td>SG&amp;A – Operating</td>
<td>$5.8</td>
<td>Flat</td>
<td>2 pts</td>
</tr>
<tr>
<td>RD&amp;E – Operating</td>
<td>1.6</td>
<td>2%</td>
<td>0 pts</td>
</tr>
<tr>
<td>IP and Development Income</td>
<td>(0.2)</td>
<td>(12%)</td>
<td></td>
</tr>
<tr>
<td>Other (Income)/Expense</td>
<td>(0.1)</td>
<td>126%</td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>0.1</td>
<td>(4%)</td>
<td></td>
</tr>
<tr>
<td>Operating Expense &amp; Other Income</td>
<td>$7.1</td>
<td>1%</td>
<td>2 pts</td>
</tr>
</tbody>
</table>

* Includes acquisitions made in the last twelve months, net of non-operating acquisition-related charges

**Within base expense, productivity savings reinvested to growth areas**
## Services Segments

### Global Technology Services (GTS)

<table>
<thead>
<tr>
<th>$ in Billions</th>
<th>4Q13</th>
<th>B/(W) Yr/Yr</th>
<th>Rptd</th>
<th>@CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (External)</td>
<td>$9.9</td>
<td>(4%)</td>
<td>(1%)</td>
<td></td>
</tr>
<tr>
<td>Gross Margin (External)</td>
<td>38.8%</td>
<td>1.2 pts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Tax Income</td>
<td>$2.0</td>
<td>(2%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PTI Margin</td>
<td>19.5%</td>
<td>0.4 pts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Global Business Services (GBS)

<table>
<thead>
<tr>
<th>$ in Billions</th>
<th>4Q13</th>
<th>B/(W) Yr/Yr</th>
<th>Rptd</th>
<th>@CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (External)</td>
<td>$4.7</td>
<td>1%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Gross Margin (External)</td>
<td>30.7%</td>
<td>0.7 pts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Tax Income</td>
<td>$0.9</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PTI Margin</td>
<td>19.1%</td>
<td>2.0 pts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4Q13 Revenue

<table>
<thead>
<tr>
<th></th>
<th>Yr/Yr</th>
<th>4Q13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GTS Outsourcing</td>
<td>(4%)</td>
<td>(1%)</td>
</tr>
<tr>
<td>Integrated Technology Services</td>
<td>(3%)</td>
<td>Flat</td>
</tr>
<tr>
<td>Maintenance</td>
<td>(2%)</td>
<td>Flat</td>
</tr>
<tr>
<td><strong>GBS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GBS Outsourcing</td>
<td>(7%)</td>
<td>(2%)</td>
</tr>
<tr>
<td>Consulting &amp; Systems Integration</td>
<td>3%</td>
<td>6%</td>
</tr>
</tbody>
</table>

### Services Backlog

<table>
<thead>
<tr>
<th></th>
<th>4Q13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$143B</td>
</tr>
</tbody>
</table>

*Continued margin expansion*
Software Segment

$ in Billions

- Revenue (External) 4Q13: $8.1, Rptd: 3%, @CC: 4%
- Gross Margin (External): 90.5% (0.1 pts)
- Pre-Tax Income: $4.2, 6%
- PTI Margin: 47.0% (1.0 pts)

4Q13 Revenue Yr/Yr

- WebSphere Family: 14% (15%)
- Information Management: 5% (5%)
- Tivoli: 1% (1%)
- Social Workforce Solutions: 2% (3%)
- Rational: Flat (1%)

Key Branded Middleware: 5% (6%)
Total Middleware: 4% (4%)
Total Software: 3% (4%)

Growth across the Branded Middleware portfolio
# Systems & Technology Segment

<table>
<thead>
<tr>
<th>$ in Billions</th>
<th>4Q13</th>
<th>Rptd</th>
<th>@CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (External)</td>
<td>$4.3</td>
<td>(26%)</td>
<td>(25%)</td>
</tr>
<tr>
<td>Gross Margin (External)</td>
<td>38.6%</td>
<td>(5.5 pts)</td>
<td></td>
</tr>
<tr>
<td>Pre-Tax Income</td>
<td>$0.2</td>
<td>(79%)</td>
<td></td>
</tr>
<tr>
<td>PTI Margin</td>
<td>4.7%</td>
<td>(11.7 pts)</td>
<td></td>
</tr>
</tbody>
</table>

### 4Q13 Revenue (Yr/Yr)

<table>
<thead>
<tr>
<th>Systems &amp; Technology</th>
<th>Rptd</th>
<th>@CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>System z</td>
<td>(37%)</td>
<td>(37%)</td>
</tr>
<tr>
<td>Power Systems</td>
<td>(31%)</td>
<td>(31%)</td>
</tr>
<tr>
<td>System x</td>
<td>(16%)</td>
<td>(15%)</td>
</tr>
<tr>
<td>Storage</td>
<td>(13%)</td>
<td>(12%)</td>
</tr>
<tr>
<td><strong>Total Systems</strong></td>
<td>(25%)</td>
<td>(25%)</td>
</tr>
<tr>
<td>Microelectronics OEM</td>
<td>(33%)</td>
<td>(33%)</td>
</tr>
<tr>
<td><strong>Total Systems &amp; Technology</strong></td>
<td>(26%)</td>
<td>(25%)</td>
</tr>
</tbody>
</table>

*System z product cycle; business model challenges in other brands*
## Cash Flow Analysis

<table>
<thead>
<tr>
<th></th>
<th>4Q13</th>
<th>B/(W) Yr/Yr</th>
<th>FY13</th>
<th>B/(W) Yr/Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Cash from Operations</strong></td>
<td>$6.5</td>
<td>$0.2</td>
<td>$17.5</td>
<td>($2.1)</td>
</tr>
<tr>
<td><strong>Less: Global Financing Receivables</strong></td>
<td>(2.9)</td>
<td>1.2</td>
<td>(1.3)</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Net Cash from Operations (excluding GF Receivables)</strong></td>
<td>9.5</td>
<td>(1.0)</td>
<td>18.8</td>
<td>(3.7)</td>
</tr>
<tr>
<td><strong>Net Capital Expenditures</strong></td>
<td>(1.1)</td>
<td>(0.1)</td>
<td>(3.8)</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Free Cash Flow (excluding GF Receivables)</strong></td>
<td>8.4</td>
<td>(1.1)</td>
<td>15.0</td>
<td>(3.2)</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(0.5)</td>
<td>1.0</td>
<td>(3.1)</td>
<td>0.7</td>
</tr>
<tr>
<td>Divestitures</td>
<td>0.1</td>
<td>0.0</td>
<td>0.3</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(1.0)</td>
<td>(0.1)</td>
<td>(4.1)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Share Repurchases (Gross)</td>
<td>(5.8)</td>
<td>(2.8)</td>
<td>(13.9)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Non-GF Debt</td>
<td>1.6</td>
<td>3.2</td>
<td>3.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Other (includes GF A/R &amp; GF Debt)</td>
<td>(1.9)</td>
<td>1.7</td>
<td>2.4</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Change in Cash &amp; Marketable Securities</strong></td>
<td>$0.8</td>
<td>$2.0</td>
<td>($0.1)</td>
<td>$0.7</td>
</tr>
</tbody>
</table>
## Balance Sheet Summary

<table>
<thead>
<tr>
<th></th>
<th>Dec. 12</th>
<th>Dec. 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Marketable Securities</td>
<td>$11.1</td>
<td>$11.1</td>
</tr>
<tr>
<td>Non-GF Assets*</td>
<td>70.6</td>
<td>76.5</td>
</tr>
<tr>
<td>Global Financing Assets</td>
<td>37.5</td>
<td>38.7</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>119.2</strong></td>
<td><strong>126.2</strong></td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>67.0</td>
<td>63.6</td>
</tr>
<tr>
<td>Non-GF Debt*</td>
<td>8.8</td>
<td>12.2</td>
</tr>
<tr>
<td>Global Financing Debt</td>
<td>24.5</td>
<td>27.5</td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td><strong>33.3</strong></td>
<td><strong>39.7</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>100.2</td>
<td>103.3</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>19.0</td>
<td>22.9</td>
</tr>
<tr>
<td><strong>Non-GF Debt / Capital</strong></td>
<td><strong>36%</strong></td>
<td><strong>39%</strong></td>
</tr>
<tr>
<td><strong>Global Financing Leverage</strong></td>
<td><strong>7.0</strong></td>
<td><strong>7.2</strong></td>
</tr>
</tbody>
</table>

* Includes eliminations of inter-company activity
### FY 2013 Summary

- **Continued momentum in key growth areas**
  - Smarter Planet ~20% yr/yr
  - Business Analytics +9% yr/yr
  - Cloud 69% yr/yr

- **Delivered profit growth in Software, Services and Financing, while Hardware declined**

- **Invested in innovation and continued portfolio transformation**
  - Maintained high levels of investment
    - R&D $6B, Capital $4B, Acquisitions $3B
    - Strengthened capabilities in analytics, social, mobile, cloud, security
  - Announced divestiture of customer care BPO business

- **Significant shareholder returns**
  - Share repurchase (gross) $14B, Dividends $4B

*Expect at least $18.00 Operating EPS in 2014*
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
- Operating EPS Bridge – 4Q12 to 4Q13 and FY12 to FY13
- Key Financial Metrics – FY 2013
- Revenue by Geography – FY 2013
- Revenue and Gross Profit Margin by Segment – FY 2013
- Revenue by Key Industry Sales Unit – 4Q and FY 2013
- Expense Summary – FY 2013
- Cash Flow (FAS 95)
- Retirement-Related Charges
- Retirement-Related Charges
- Non-GAAP Supplemental Materials
  - Operating (Non-GAAP) Earnings Per Share and Related Income Statement Items, Constant Currency
  - Cash Flow, Debt-to-Capital Ratio, Workforce Rebalancing, Retail Store Solutions (RSS) Divestiture
  - Reconciliation of Operating Earnings Per Share
  - GAAP to Operating (Non-GAAP) Bridge – 4Q 2013
  - GAAP to Operating (Non-GAAP) Bridge – 4Q 2012
  - GAAP to Operating (Non-GAAP) Bridge – FY 2013
  - GAAP to Operating (Non-GAAP) Bridge – FY 2012
  - GAAP to Operating (Non-GAAP) Bridge – 4Q 2013 and 4Q 2012
  - GAAP to Operating (Non-GAAP) Bridge – FY 2013 and FY 2012
  - Reconciliation of B/(W) Yr/Yr Expense Drivers – 4Q13
  - Reconciliation of B/(W) Yr/Yr Expense Drivers – FY13
  - Reconciliation of Operating EPS Bridge 4Q12 to 4Q13
  - Reconciliation of Operating EPS Bridge FY12 to FY13
  - Reconciliation of Debt-to-Capital Ratio
  - Reconciliation of Free Cash Flow (excluding GF Receivables) – 3 months ended 9/30/13
  - Reconciliation of Revenue Growth
  - Reconciliation of Consolidated EPS
## Currency – Year/Year Comparison

**Quarterly Averages per US$**

<table>
<thead>
<tr>
<th></th>
<th>3Q13</th>
<th>Yr/Yr</th>
<th>4Q13</th>
<th>Yr/Yr</th>
<th>1/17</th>
<th>1Q14</th>
<th>2Q14</th>
<th>3Q14</th>
<th>4Q14</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro</td>
<td>0.75</td>
<td>6%</td>
<td>0.73</td>
<td>5%</td>
<td>0.74</td>
<td>3%</td>
<td>4%</td>
<td>2%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>Pound</td>
<td>0.64</td>
<td>(2%)</td>
<td>0.62</td>
<td>1%</td>
<td>0.61</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Yen</td>
<td>99</td>
<td>(26%)</td>
<td>100</td>
<td>(24%)</td>
<td>104</td>
<td>(13%)</td>
<td>(6%)</td>
<td>(5%)</td>
<td>(4%)</td>
<td>(7%)</td>
</tr>
</tbody>
</table>

**IBM Revenue Impact**

- (2.5 pts)
- (2 pts)
- ~(2 pts) ~0 pts ~1 pts ~1 pts

<table>
<thead>
<tr>
<th>(US$B)</th>
<th>Yr/Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue As Reported</td>
<td>$27.7 (5%)</td>
</tr>
<tr>
<td>Currency Impact</td>
<td>(0.6) (2 pts)</td>
</tr>
</tbody>
</table>

**Revenue @CC**

- (3%)
## Supplemental Segment Information – 4Q 2013
### Global Services Revenue

<table>
<thead>
<tr>
<th></th>
<th>Revenue Growth</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yr/Yr @CC</td>
<td></td>
</tr>
<tr>
<td>GTS Outsourcing</td>
<td>(4%) (1%)</td>
<td></td>
</tr>
<tr>
<td>Integrated Tech Services</td>
<td>(3%) Flat</td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>(2%) Flat</td>
<td></td>
</tr>
<tr>
<td>Total GTS</td>
<td>(4%) (1%)</td>
<td></td>
</tr>
<tr>
<td>GBS Outsourcing</td>
<td>(7%) (2%)</td>
<td></td>
</tr>
<tr>
<td>GBS C&amp;SI</td>
<td>3% 6%</td>
<td></td>
</tr>
<tr>
<td>Total GBS</td>
<td>1% 4%</td>
<td></td>
</tr>
<tr>
<td>Total Outsourcing</td>
<td>(5%) (1%)</td>
<td></td>
</tr>
<tr>
<td>Total Transactional</td>
<td>Flat 4%</td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>(2%) Flat</td>
<td></td>
</tr>
</tbody>
</table>

### Global Services Backlog / Signings

<table>
<thead>
<tr>
<th></th>
<th>$ in Billions</th>
<th>Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q13 Yr/Yr @CC</td>
<td></td>
</tr>
<tr>
<td>Total Backlog</td>
<td>$143 2% 5%</td>
<td></td>
</tr>
<tr>
<td>Change in Backlog due to Currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quarter-to-Quarter</td>
<td>($1)</td>
<td></td>
</tr>
<tr>
<td>Year-to-Year</td>
<td>($4)</td>
<td></td>
</tr>
<tr>
<td>Outsourcing Backlog</td>
<td>$91 1% 5%</td>
<td></td>
</tr>
<tr>
<td>Outsourcing</td>
<td>$9.3 11% 15%</td>
<td></td>
</tr>
<tr>
<td>- GTS O/S, GBS O/S (AMS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactional</td>
<td>8.2 (14%) (11%)</td>
<td></td>
</tr>
<tr>
<td>- ITS, Consulting &amp; AMS SI (incl. US Federal)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Signings</td>
<td>$17.5 (2%) 1%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Actual backlog calculated using December 31 currency spot rates
### Systems & Technology

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue Growth</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yr/Yr</td>
<td>@CC</td>
</tr>
<tr>
<td>System z</td>
<td>(37%)</td>
<td>(37%)</td>
</tr>
<tr>
<td>Power Systems</td>
<td>(31%)</td>
<td>(31%)</td>
</tr>
<tr>
<td>System x</td>
<td>(16%)</td>
<td>(15%)</td>
</tr>
<tr>
<td>Storage</td>
<td>(13%)</td>
<td>(12%)</td>
</tr>
<tr>
<td>Total Systems</td>
<td>(25%)</td>
<td>(25%)</td>
</tr>
<tr>
<td>Microelectronics OEM</td>
<td>(33%)</td>
<td>(33%)</td>
</tr>
<tr>
<td>Total Sys &amp; Tech</td>
<td>(26%)</td>
<td>(25%)</td>
</tr>
</tbody>
</table>

### Software

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue Growth</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yr/Yr</td>
<td>@CC</td>
</tr>
<tr>
<td>WebSphere Family</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Information Management</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Tivoli</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Social Workforce Sols.</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Rational</td>
<td>Flat</td>
<td>1%</td>
</tr>
<tr>
<td>Key Branded Middleware</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Other Middleware</td>
<td>(5%)</td>
<td>(4%)</td>
</tr>
<tr>
<td>Total Middleware</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Operating Systems</td>
<td>(3%)</td>
<td>(2%)</td>
</tr>
<tr>
<td>Other Software/Services</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Total Software</td>
<td>3%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Global Financing Portfolio

4Q13 – $31.9B Net External Receivables

Investment Grade
59%

Non-Investment Grade
41%

<table>
<thead>
<tr>
<th>Rating</th>
<th>4Q13</th>
<th>3Q13</th>
<th>4Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified Loss Rate</td>
<td>0.8%</td>
<td>1.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Anticipated Loss Rate</td>
<td>0.4%</td>
<td>0.3%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Reserve Coverage</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Client Days Delinquent Outstanding</td>
<td>3.3</td>
<td>3.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Commercial A/R &gt; 30 Days</td>
<td>$ 43 M</td>
<td>$ 44 M</td>
<td>$ 22 M</td>
</tr>
</tbody>
</table>
Operating EPS Bridge

4Q12 to 4Q13

- 4Q12 Operating EPS: $5.39
- Revenue Growth @ Actual: ($0.29)
- Margin Expansion: $0.73
- Share Repurchases: $0.30
- 4Q13 Operating EPS: $6.13

FY12 to FY13

- FY12 Operating EPS: $15.25
- Revenue Growth @ Actual: ($0.69)
- Margin Expansion: $0.98
- Share Repurchases: $0.74
- FY13 Operating EPS: $16.28
## Key Financial Metrics – FY 2013

$ in Billions, except EPS

<table>
<thead>
<tr>
<th>P&amp;L Highlights</th>
<th>FY13</th>
<th>Yr/Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$99.8</td>
<td>(5%)</td>
</tr>
<tr>
<td>@CC</td>
<td></td>
<td>(2%)</td>
</tr>
<tr>
<td>PTI – Operating</td>
<td>$21.4</td>
<td>(8%)</td>
</tr>
<tr>
<td>EPS – Operating</td>
<td>$16.28</td>
<td>7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>P&amp;L Ratios (Operating)</th>
<th>FY13</th>
<th>Yr/Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>GP Margin</td>
<td>49.7%</td>
<td>0.9 pts</td>
</tr>
<tr>
<td>PTI Margin</td>
<td>21.4%</td>
<td>(0.7 pts)</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>16.0%</td>
<td>7.9 pts</td>
</tr>
<tr>
<td>NI Margin</td>
<td>18.0%</td>
<td>1.1 pts</td>
</tr>
</tbody>
</table>

### Cash Highlights

<table>
<thead>
<tr>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow (excl GF Receivables)</td>
</tr>
<tr>
<td>Share Repurchase (Gross)</td>
</tr>
<tr>
<td>Dividends</td>
</tr>
<tr>
<td>Cash Balance @ Dec. 31</td>
</tr>
</tbody>
</table>
## Revenue by Geography – FY 2013

### $ in Billions

<table>
<thead>
<tr>
<th>Region</th>
<th>FY13</th>
<th>B/(W) Yr/Yr Rptd</th>
<th>B/(W) Yr/Yr @CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>$43.2</td>
<td>(3%)</td>
<td>(2%)</td>
</tr>
<tr>
<td>Europe/ME/A</td>
<td>31.6</td>
<td>Flat</td>
<td>(2%)</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>22.9</td>
<td>(12%)</td>
<td>(3%)</td>
</tr>
<tr>
<td><strong>Total Geographies</strong></td>
<td><strong>$97.8</strong></td>
<td><strong>(4%)</strong></td>
<td><strong>(2%)</strong></td>
</tr>
<tr>
<td>IBM</td>
<td>$99.8</td>
<td>(5%)</td>
<td>(2%)</td>
</tr>
</tbody>
</table>

### Major Markets

- (4%) (2%)

### Growth Markets

- (5%) (2%)

### BRIC Countries

- (8%) (6%)

[Diagram showing revenue distribution by region]

---

[IBM logo and website link]
## Revenue and Gross Profit Margin by Segment – FY 2013

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY13</th>
<th>B/(W) Yr/Yr</th>
<th>B/(W) Yr/Yr Pts</th>
<th>Operating Gross Profit Margin</th>
<th>FY13</th>
<th>B/(W) Yr/Yr Pts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Technology Services</td>
<td>$38.6</td>
<td>(4%)</td>
<td>(1%)</td>
<td>38.1%</td>
<td>1.5 pts</td>
<td></td>
</tr>
<tr>
<td>Global Business Services</td>
<td>18.4</td>
<td>(1%)</td>
<td>3%</td>
<td>30.9%</td>
<td>0.9 pts</td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>25.9</td>
<td>2%</td>
<td>3%</td>
<td>88.8%</td>
<td>0.1 pts</td>
<td></td>
</tr>
<tr>
<td>Systems &amp; Technology</td>
<td>14.4</td>
<td>(19%)</td>
<td>(18%)</td>
<td>35.6%</td>
<td>(3.5 pts)</td>
<td></td>
</tr>
<tr>
<td>Global Financing</td>
<td>2.0</td>
<td>Flat</td>
<td>3%</td>
<td>45.6%</td>
<td>(0.9 pts)</td>
<td></td>
</tr>
<tr>
<td><strong>Total IBM</strong></td>
<td><strong>$99.8</strong></td>
<td><strong>(5%)</strong></td>
<td><strong>(2%)</strong></td>
<td><strong>49.7%</strong></td>
<td><strong>0.9 pts</strong></td>
<td></td>
</tr>
</tbody>
</table>

$ in billions
## Revenue by Key Industry Sales Unit – 4Q & FY 2013

<table>
<thead>
<tr>
<th>$ in Billions</th>
<th>4Q13</th>
<th>B/(W) Yr/Yr</th>
<th>FY13</th>
<th>B/(W) Yr/Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rptd @CC</td>
<td></td>
<td>Rptd @CC</td>
</tr>
<tr>
<td>Financial Services</td>
<td>$7.8</td>
<td>(3%) 1%</td>
<td>$26.8</td>
<td>(1%) 2%</td>
</tr>
<tr>
<td>Public</td>
<td>3.1</td>
<td>(7%) (6%)</td>
<td>11.6</td>
<td>(5%) (5%)</td>
</tr>
<tr>
<td>Industrial</td>
<td>2.0</td>
<td>(7%) (4%)</td>
<td>7.6</td>
<td>(4%) (1%)</td>
</tr>
<tr>
<td>Distribution</td>
<td>1.8</td>
<td>(6%) (5%)</td>
<td>6.6</td>
<td>(7%) (5%)</td>
</tr>
<tr>
<td>Communications</td>
<td>1.8</td>
<td>(15%) (13%)</td>
<td>7.0</td>
<td>(11%) (10%)</td>
</tr>
<tr>
<td>General Business</td>
<td>9.7</td>
<td>(3%) (1%)</td>
<td>34.7</td>
<td>(4%) (2%)</td>
</tr>
<tr>
<td><strong>Total IBM</strong></td>
<td><strong>$27.7</strong></td>
<td><strong>(5%) (3%)</strong></td>
<td><strong>$99.8</strong></td>
<td><strong>(5%) (2%)</strong></td>
</tr>
</tbody>
</table>

* Reclassified to conform with 2013 presentation; reflects coverage model change in certain geographies
## Expense Summary – FY 2013

<table>
<thead>
<tr>
<th></th>
<th>$ in Billions</th>
<th>FY13</th>
<th>B/(W) Yr/Yr</th>
<th>B/(W) Yr/Yr Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Currency</td>
<td>Acq.*</td>
</tr>
<tr>
<td>SG&amp;A – Operating</td>
<td>$22.7</td>
<td>1%</td>
<td>1 pts</td>
<td>(1 pts)</td>
</tr>
<tr>
<td>RD&amp;E – Operating</td>
<td>6.2</td>
<td>2%</td>
<td>0 pts</td>
<td>(2 pts)</td>
</tr>
<tr>
<td>IP and Development Income</td>
<td>(0.8)</td>
<td>(23%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (Income)/Expense</td>
<td>(0.3)</td>
<td>(60%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>0.4</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Expense &amp; Other Income</strong></td>
<td><strong>$28.1</strong></td>
<td><strong>(1%)</strong></td>
<td>1 pts</td>
<td>(2 pts)</td>
</tr>
</tbody>
</table>

* Includes acquisitions made in the last twelve months, net of non-operating acquisition-related charges
## Cash Flow (FAS 95)

<table>
<thead>
<tr>
<th></th>
<th>4Q13</th>
<th>4Q12</th>
<th>FY13</th>
<th>FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income from Operations</td>
<td>$6.2</td>
<td>$5.8</td>
<td>$16.5</td>
<td>$16.6</td>
</tr>
<tr>
<td>Depreciation / Amortization of Intangibles</td>
<td>1.2</td>
<td>1.2</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Stock-based Compensation</td>
<td>0.2</td>
<td>0.2</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Working Capital / Other</td>
<td>1.9</td>
<td>3.3</td>
<td>(3.0)</td>
<td>0.5</td>
</tr>
<tr>
<td>Global Financing A/R</td>
<td>(2.9)</td>
<td>(4.2)</td>
<td>(1.3)</td>
<td>(2.9)</td>
</tr>
<tr>
<td><strong>Net Cash provided by Operating Activities</strong></td>
<td>6.5</td>
<td>6.3</td>
<td>17.5</td>
<td>19.6</td>
</tr>
<tr>
<td>Capital Expenditures, net of payments &amp; proceeds</td>
<td>(1.1)</td>
<td>(1.0)</td>
<td>(3.8)</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Divestitures, net of cash transferred</td>
<td>0.1</td>
<td>0.0</td>
<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Acquisitions, net of cash acquired</td>
<td>(0.5)</td>
<td>(1.5)</td>
<td>(3.1)</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Marketable Securities / Other Investments, net</td>
<td>(1.4)</td>
<td>(1.7)</td>
<td>(0.8)</td>
<td>(1.6)</td>
</tr>
<tr>
<td><strong>Net Cash used in Investing Activities</strong></td>
<td>(2.9)</td>
<td>(4.1)</td>
<td>(7.3)</td>
<td>(9.0)</td>
</tr>
<tr>
<td>Debt, net of payments &amp; proceeds</td>
<td>3.6</td>
<td>(0.2)</td>
<td>7.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Dividends</td>
<td>(1.0)</td>
<td>(1.0)</td>
<td>(4.1)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Common Stock Repurchases (Gross)</td>
<td>(5.8)</td>
<td>(3.0)</td>
<td>(13.9)</td>
<td>(12.0)</td>
</tr>
<tr>
<td>Common Stock Transactions - Other</td>
<td>0.2</td>
<td>0.3</td>
<td>1.1</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Net Cash used in Financing Activities</strong></td>
<td>(3.0)</td>
<td>(3.8)</td>
<td>(9.9)</td>
<td>(12.0)</td>
</tr>
<tr>
<td>Effect of Exchange Rate changes on Cash</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>(0.1)</td>
</tr>
<tr>
<td><strong>Net Change in Cash &amp; Cash Equivalents</strong></td>
<td>$0.6</td>
<td>($1.5)</td>
<td>$0.3</td>
<td>($1.5)</td>
</tr>
</tbody>
</table>
## Retirement-Related Charges

### Funded Status*

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>YE 2012</td>
<td>98%</td>
<td>94%</td>
</tr>
<tr>
<td>YE 2013</td>
<td>109%</td>
<td>102%</td>
</tr>
</tbody>
</table>

### Expected ROA

<table>
<thead>
<tr>
<th></th>
<th>WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>YE 2012</td>
<td>7.3%</td>
</tr>
<tr>
<td>YE 2013</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

### Actual ROA

<table>
<thead>
<tr>
<th></th>
<th>WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>YE 2012</td>
<td>11.1%</td>
</tr>
<tr>
<td>YE 2013</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

### Discount Rate

<table>
<thead>
<tr>
<th></th>
<th>WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>YE 2012</td>
<td>3.4%</td>
</tr>
<tr>
<td>YE 2013</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

### Pre-Tax Retirement-Related (Cost) / Income ($B)

#### Operating

- **2009**: ($1.9)
- **2010**: ($1.8)
- **2011**: ($1.9)
- **2012**: ($1.9)
- **2013**: ($1.8)
- **2014**: ($1.8)
- **2015**: ($1.8)

#### Non-Operating

- **2009**: $0.5
- **2010**: $0.4
- **2011**: $0.1
- **2012**: ($0.5)
- **2013**: ($1.1)
- **2014**: ($0.3)
- **2015**: $0.1

### Retirement-Related Cash Drivers ($B)

#### Operating

- **2009**: ($1.9)
- **2010**: ($1.9)
- **2011**: ($1.9)
- **2012**: ($1.9)
- **2013**: ($1.8)
- **2014**: ($1.8)
- **2015**: ($1.8)

#### Non-Operating

- **2009**: $0.1
- **2010**: $0.4
- **2011**: $0.5
- **2012**: ($0.9)
- **2013**: ($1.1)
- **2014**: ($1.3)
- **2015**: ($1.3)

*Tax-qualified plans

**Projection based on Dec ‘13 assumptions**
## Retirement-Related Charges

<table>
<thead>
<tr>
<th></th>
<th>Funded Status*</th>
<th>Expected ROA</th>
<th>Actual ROA</th>
<th>Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US WW</td>
<td>WW WW</td>
<td>WW WW</td>
<td>WW WW</td>
</tr>
<tr>
<td>YE 2012</td>
<td>98% 94%</td>
<td>7.3%</td>
<td>11.1%</td>
<td>3.4%</td>
</tr>
<tr>
<td>YE 2013</td>
<td>109% 102%</td>
<td>7.2%</td>
<td>7.1%</td>
<td>3.9%</td>
</tr>
<tr>
<td><strong>Upside</strong></td>
<td></td>
<td>7.2%</td>
<td>14.0%</td>
<td>4.4%</td>
</tr>
<tr>
<td><strong>Downside</strong></td>
<td></td>
<td>7.2%</td>
<td>0.0%</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

### Pre-Tax Retirement-Related (Cost) / Income ($B)

#### Operating

- 2009: ($1.9)
- 2010: ($1.8)
- 2011: ($1.9)
- 2012: ($1.9)
- 2013: ($1.8)
- 2014: ($1.8)
- 2015: ($1.8)

#### Non-Operating

- 2009: $0.5
- 2010: $0.4
- 2011: $0.1
- 2012: ($0.5)
- 2013: ($1.1)
- 2014: ($1.8)
- 2015: ~$1B Range

### Retirement-Related Cash Drivers ($B)

- **Operating**
  - 2009: ($1.9)
  - 2010: ($1.8)
  - 2011: ($1.9)
  - 2012: ($1.9)
  - 2013: ($1.8)
  - 2014: ($1.8)
  - 2015: ($1.8)

- **Non-Operating**
  - 2009: $0.1
  - 2010: $0.5
  - 2011: $0.3
  - 2012: ($0.9)
  - 2013: ($1.1)
  - 2014: ($1.3)
  - 2015: ~$1B

* Tax-qualified plans
  - Actual
  - Projection based on Dec ‘13 assumptions

~*~
Non-GAAP Supplemental 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 earnings presentation materials, the following Non-GAAP information which management believes provides useful information to investors.

Operating (Non-GAAP) Earnings Per Share and Related Income Statement Items
Management presents certain financial measures excluding the effects of certain acquisition-related charges, non-operating retirement-related costs, and any related tax impacts. Management uses the term "operating" to describe this view of the company's financial results and other financial information. For acquisitions, these measures exclude the amortization of purchased intangible assets and acquisition-related charges such as in-process research and development, transaction costs, applicable restructuring and related expenses, and tax charges related to acquisition integration. For retirement-related costs, the company has characterized certain items as operating and others as non-operating. The company includes service cost, amortization of prior service cost and the cost of defined contribution plans in its operating results. Non-operating retirement-related costs include interest cost, expected return on plan assets, amortized actuarial gains/losses, the impacts of any plan curtailments/settlements, multi-employer plan costs, pension insolvency costs, and other costs. Non-operating costs primarily relate to changes in pension plan assets and liabilities which are tied to market performance, and management considers these costs to be outside the operational performance of the business. Management's calculation of these operating measures, as presented, may differ from similarly titled measures reported by other companies.

Overall, management believes that providing investors with an operating view as described above provides increased transparency and clarity into both the operational results of the business and the performance of the company's pension plans, improves visibility to management decisions and their impacts on operational performance, enables better comparison to peer companies, and allows the company to provide a long term strategic view of the business going forward. For the 2015 earnings per share roadmap, the company is utilizing an operating view to establish its objectives and track its progress. The company's segment financial results and performance reflect operating earnings, consistent with the company's management and measurement system.

Constant Currency
Management refers to growth rates at constant currency or adjusting for currency so that certain financial 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. Financial results adjusted for currency are calculated by translating current period activity in local currency using the comparable prior year period's currency conversion rate. This approach is used for countries where the functional currency is the local 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.
Non-GAAP Supplemental Materials

Cash Flow
Management uses a free cash flow measure to evaluate the company’s operating results, plan share repurchase levels, evaluate strategic investments and assess the company’s ability and need to incur and service debt. The entire free cash flow amount is not necessarily available for discretionary expenditures. The company defines free cash flow as net cash from operating activities less the change in Global Financing receivables and net capital expenditures, including the investment in software. A key objective of the Global Financing business is to generate strong returns on equity, and increasing receivables is the basis for growth. Accordingly, management considers Global Financing receivables as a profit-generating investment, not as working capital that should be minimized for efficiency. Therefore, management includes presentations of both free cash flow and cash flow from operations that exclude the effect of Global Financing receivables.

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.

Workforce Rebalancing
On April 18, 2013, the company announced it expected to take most of its workforce rebalancing actions for 2013 in the second quarter as compared to 2012 when these actions were distributed across the four quarters of the year. The company took $1 billion workforce rebalancing charge in the second quarter. Management believes that presenting certain financial information without this item is most indicative of operational trajectory.
## Non-GAAP Supplemental Materials

### Reconciliation of Operating Earnings Per Share

<table>
<thead>
<tr>
<th>2014 Expectations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IBM GAAP EPS</td>
<td>$17.00</td>
</tr>
<tr>
<td>IBM Operating EPS (Non-GAAP)</td>
<td>$18.00+</td>
</tr>
</tbody>
</table>

### Adjustments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition-Related Charges *</td>
<td>$0.76</td>
</tr>
<tr>
<td>Amortization of Purchased Intangibles</td>
<td>$0.73</td>
</tr>
<tr>
<td>Other Acquisition-Related Charges</td>
<td>$0.03</td>
</tr>
<tr>
<td>Non-Operating Retirement-Related Items</td>
<td>$0.24</td>
</tr>
</tbody>
</table>

* Includes acquisitions through December 31, 2013

The above serves to reconcile the Non-GAAP financial information contained in “FY 2013 Summary” 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 Supplemental Materials

GAAP to Operating (Non-GAAP) Bridge – 4Q 2013

$ in Millions, except EPS

<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Acquisition-related Adjustments*</th>
<th>Retirement-related Adjustments**</th>
<th>Operating (Non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>$14,315</td>
<td>$105</td>
<td>$154</td>
<td>$14,574</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>5,989</td>
<td>(101)</td>
<td>(90)</td>
<td>5,798</td>
</tr>
<tr>
<td>RD&amp;E</td>
<td>1,566</td>
<td>0</td>
<td>(14)</td>
<td>1,552</td>
</tr>
<tr>
<td>Other (Income) &amp; Expense</td>
<td>(113)</td>
<td>(8)</td>
<td>0</td>
<td>(121)</td>
</tr>
<tr>
<td>Total Operating Expense &amp; Other (Income)</td>
<td>7,353</td>
<td>(109)</td>
<td>(104)</td>
<td>7,140</td>
</tr>
<tr>
<td>Pre-Tax Income</td>
<td>6,962</td>
<td>213</td>
<td>258</td>
<td>7,434</td>
</tr>
<tr>
<td>Tax</td>
<td>777</td>
<td>(55)</td>
<td>94</td>
<td>817</td>
</tr>
<tr>
<td>Net Income</td>
<td>6,185</td>
<td>268</td>
<td>164</td>
<td>6,617</td>
</tr>
<tr>
<td>Diluted Earnings Per Share</td>
<td>$5.73</td>
<td>$0.25</td>
<td>$0.15</td>
<td>$6.13</td>
</tr>
</tbody>
</table>

* Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs

** Includes retirement related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance

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

The above serves to reconcile the Non-GAAP financial information contained in the “2013 Summary”, “Key Financial Metrics” and “Expense Summary” discussions 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 Supplemental Materials

**GAAP to Operating (Non-GAAP) Bridge – 4Q 2012**

$ in Millions, except EPS

<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Acquisition-related Adjustments*</th>
<th>Retirement-related Adjustments**</th>
<th>Operating (Non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>$15,167</td>
<td>$100</td>
<td>$60</td>
<td>$15,327</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>5,921</td>
<td>(91)</td>
<td>(29)</td>
<td>5,801</td>
</tr>
<tr>
<td>RD&amp;E</td>
<td>1,580</td>
<td>0</td>
<td>6</td>
<td>1,586</td>
</tr>
<tr>
<td>Other (Income) &amp; Expense</td>
<td>(47)</td>
<td>(7)</td>
<td>0</td>
<td>(54)</td>
</tr>
<tr>
<td>Total Operating Expense &amp; Other (Income)</td>
<td>7,336</td>
<td>(98)</td>
<td>(23)</td>
<td>7,215</td>
</tr>
<tr>
<td>Pre-Tax Income</td>
<td>7,831</td>
<td>198</td>
<td>83</td>
<td>8,112</td>
</tr>
<tr>
<td>Tax ***</td>
<td>1,998</td>
<td>(45)</td>
<td>30</td>
<td>1,983</td>
</tr>
<tr>
<td>Net Income</td>
<td>5,833</td>
<td>243</td>
<td>53</td>
<td>6,129</td>
</tr>
<tr>
<td>Diluted Earnings Per Share</td>
<td>$5.13</td>
<td>$0.21</td>
<td>$0.05</td>
<td>$5.39</td>
</tr>
</tbody>
</table>

* Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges.

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Non-GAAP Supplemental Materials

GAAP to Operating (Non-GAAP) Bridge – FY 2013

$ in Millions, except EPS

<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Acquisition-related Adjustments*</th>
<th>Retirement-related Adjustments**</th>
<th>Operating (Non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$48,505</td>
<td>$394</td>
<td>$629</td>
<td>$49,527</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>23,502</td>
<td>(394)</td>
<td>(376)</td>
<td>22,731</td>
</tr>
<tr>
<td><strong>RD&amp;E</strong></td>
<td>6,226</td>
<td>0</td>
<td>(57)</td>
<td>6,170</td>
</tr>
<tr>
<td><strong>Other (Income) &amp; Expense</strong></td>
<td>(327)</td>
<td>(16)</td>
<td>0</td>
<td>(343)</td>
</tr>
<tr>
<td><strong>Total Operating Expense &amp; Other (Income)</strong></td>
<td>28,981</td>
<td>(410)</td>
<td>(433)</td>
<td>28,137</td>
</tr>
<tr>
<td><strong>Pre-Tax Income</strong></td>
<td>19,524</td>
<td>804</td>
<td>1,062</td>
<td>21,390</td>
</tr>
<tr>
<td><strong>Tax</strong>*</td>
<td>3,041</td>
<td>57</td>
<td>333</td>
<td>3,431</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>16,483</td>
<td>747</td>
<td>729</td>
<td>17,959</td>
</tr>
<tr>
<td><strong>Diluted Earnings Per Share</strong></td>
<td>$14.94</td>
<td>$0.68</td>
<td>$0.66</td>
<td>$16.28</td>
</tr>
</tbody>
</table>

* Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs

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# Non-GAAP Supplemental Materials

## GAAP to Operating (Non-GAAP) Bridge – FY 2012

|$ in Millions, except EPS

<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Acquisition-related Adjustments*</th>
<th>Retirement-related Adjustments**</th>
<th>Operating (Non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>$50,298</td>
<td>$376</td>
<td>$264</td>
<td>$50,938</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>23,553</td>
<td>(349)</td>
<td>(294)</td>
<td>22,910</td>
</tr>
<tr>
<td>RD&amp;E</td>
<td>6,302</td>
<td>0</td>
<td>20</td>
<td>6,322</td>
</tr>
<tr>
<td>Other (Income) &amp; Expense</td>
<td>(843)</td>
<td>(13)</td>
<td>0</td>
<td>(857)</td>
</tr>
<tr>
<td>Total Operating Expense &amp; Other (Income)</td>
<td>28,396</td>
<td>(363)</td>
<td>(274)</td>
<td>27,760</td>
</tr>
<tr>
<td>Pre-Tax Income</td>
<td>21,902</td>
<td>739</td>
<td>538</td>
<td>23,179</td>
</tr>
<tr>
<td>Tax ***</td>
<td>5,298</td>
<td>98</td>
<td>156</td>
<td>5,552</td>
</tr>
<tr>
<td>Net Income</td>
<td>16,604</td>
<td>641</td>
<td>381</td>
<td>17,627</td>
</tr>
<tr>
<td>Diluted Earnings Per Share</td>
<td>$14.37</td>
<td>$0.55</td>
<td>$0.33</td>
<td>$15.25</td>
</tr>
</tbody>
</table>

*Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges.

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## Non-GAAP Supplemental Materials

### GAAP to Operating (Non-GAAP) Bridge – 4Q 2013 and 4Q 2012

<table>
<thead>
<tr>
<th></th>
<th>4Q 2013</th>
<th></th>
<th></th>
<th>4Q 2012</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GAAP</td>
<td>Acquisition-related Adjustments*</td>
<td>Retirement-related Adjustments **</td>
<td>Operating (Non-GAAP)</td>
<td>GAAP</td>
<td>Acquisition-related Adjustments*</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>51.7%</td>
<td>0.4 pts</td>
<td>0.6 pts</td>
<td>52.6%</td>
<td>51.8%</td>
<td>0.3 pts</td>
</tr>
<tr>
<td>PTI Margin</td>
<td>25.1%</td>
<td>0.8 pts</td>
<td>0.9 pts</td>
<td>26.8%</td>
<td>26.7%</td>
<td>0.7 pts</td>
</tr>
<tr>
<td>Tax Rate ***</td>
<td>11.2%</td>
<td>(1.1 pts)</td>
<td>0.9 pts</td>
<td>11.0%</td>
<td>25.5%</td>
<td>(1.2 pts)</td>
</tr>
<tr>
<td>Net Income Margin</td>
<td>22.3%</td>
<td>1.0 pts</td>
<td>0.6 pts</td>
<td>23.9%</td>
<td>19.9%</td>
<td>0.8 pts</td>
</tr>
</tbody>
</table>

* Includes amortization of purchased Intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges

** Includes retirement related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance

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The above serves to reconcile the Non-GAAP financial information contained in the "2013 Summary” and “Key Financial Metrics” discussions 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 Supplemental Materials

**GAAP to Operating (Non-GAAP) Bridge – FY 2013 and FY 2012**

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th></th>
<th></th>
<th>FY 2012</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GAAP</td>
<td>Acquisition-related...</td>
<td>Retirement-related...</td>
<td>GAAP</td>
<td>Acquisition-related...</td>
<td>Retirement-related...</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adjustments*</td>
<td>Adjustments**</td>
<td></td>
<td>Adjustments*</td>
<td>Adjustments**</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>48.6%</td>
<td>0.4 pts</td>
<td>0.6 pts</td>
<td>48.1%</td>
<td>0.4 pts</td>
<td>0.3 pts</td>
</tr>
<tr>
<td>PTI Margin</td>
<td>19.6%</td>
<td>0.8 pts</td>
<td>1.1 pts</td>
<td>21.0%</td>
<td>0.7 pts</td>
<td>0.5 pts</td>
</tr>
<tr>
<td>Tax Rate ***</td>
<td>15.6%</td>
<td>(0.3 pts)</td>
<td>0.8 pts</td>
<td>24.2%</td>
<td>(0.4 pts)</td>
<td>0.1 pts</td>
</tr>
<tr>
<td>Net Income Margin</td>
<td>16.5%</td>
<td>0.7 pts</td>
<td>0.7 pts</td>
<td>15.9%</td>
<td>0.6 pts</td>
<td>0.4 pts</td>
</tr>
</tbody>
</table>

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The above serves to reconcile the Non-GAAP financial information contained in the “2013 Summary” and “Key Financial Metrics –FY 2013” discussions 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 Supplemental Materials

**Reconciliation of B/(W) Yr/Yr Expense Drivers – 4Q13**

<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Non-GAAP Adjustments</th>
<th>Operating (Non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SG&amp;A</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>2 pts</td>
<td>0 pts</td>
<td>2 pts</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(2 pts)</td>
<td>0 pts</td>
<td>(2 pts)</td>
</tr>
<tr>
<td>Base</td>
<td>(1 pts)</td>
<td>1 pts</td>
<td>0 pts</td>
</tr>
<tr>
<td><strong>RD&amp;E</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>0 pts</td>
<td>0 pts</td>
<td>0 pts</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(2 pts)</td>
<td>0 pts</td>
<td>(2 pts)</td>
</tr>
<tr>
<td>Base</td>
<td>2 pts</td>
<td>1 pts</td>
<td>3 pts</td>
</tr>
<tr>
<td><strong>Operating Expense &amp; Other Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>2 pts</td>
<td>0 pts</td>
<td>2 pts</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(2 pts)</td>
<td>0 pts</td>
<td>(2 pts)</td>
</tr>
<tr>
<td>Base</td>
<td>0 pts</td>
<td>1 pts</td>
<td>1 pts</td>
</tr>
</tbody>
</table>

The above serves to reconcile the Non-GAAP financial information contained in the “Expense Summary” 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 Supplemental Materials

*Reconciliation of B/(W) Yr/Yr Expense Drivers – FY13*

<table>
<thead>
<tr>
<th>Category</th>
<th>GAAP</th>
<th>Non-GAAP Adjustments</th>
<th>Operating (Non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG&amp;A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>1 pts</td>
<td>0 pts</td>
<td>1 pts</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(2 pts)</td>
<td>0 pts</td>
<td>(1 pts)</td>
</tr>
<tr>
<td>Base</td>
<td>1 pts</td>
<td>0 pts</td>
<td>1 pts</td>
</tr>
<tr>
<td>RD&amp;E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>0 pts</td>
<td>0 pts</td>
<td>0 pts</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(2 pts)</td>
<td>0 pts</td>
<td>(2 pts)</td>
</tr>
<tr>
<td>Base</td>
<td>3 pts</td>
<td>1 pts</td>
<td>4 pts</td>
</tr>
<tr>
<td>Operating Expense &amp; Other Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>1 pts</td>
<td>0 pts</td>
<td>1 pts</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(2 pts)</td>
<td>0 pts</td>
<td>(2 pts)</td>
</tr>
<tr>
<td>Base</td>
<td>(1 pts)</td>
<td>0 pts</td>
<td>(1 pts)</td>
</tr>
</tbody>
</table>

The above serves to reconcile the Non-GAAP financial information contained in the “Expense Summary – FY 2013” 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 Supplemental Materials

### Reconciliation of Operating EPS Bridge 4Q12 to 4Q13

<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Acquisition-related Adjustments*</th>
<th>Retirement-related Adjustments**</th>
<th>Operating (Non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q12 EPS</td>
<td>$5.13</td>
<td>$0.21</td>
<td>$0.05</td>
<td>$5.39</td>
</tr>
<tr>
<td>Revenue growth @ actual</td>
<td>(0.28)</td>
<td>(0.01)</td>
<td>0.00</td>
<td>(0.29)</td>
</tr>
<tr>
<td>Margin expansion</td>
<td>0.60</td>
<td>0.04</td>
<td>0.09</td>
<td>0.73</td>
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<tr>
<td>Share repurchases</td>
<td>0.28</td>
<td>0.01</td>
<td>0.01</td>
<td>0.30</td>
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<tr>
<td>4Q13 EPS</td>
<td>$5.73</td>
<td>$0.25</td>
<td>$0.15</td>
<td>$6.13</td>
</tr>
</tbody>
</table>

* Includes amortization of purchased intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges.

** Includes retirement related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance.

The above serves to reconcile the Non-GAAP financial information contained in the “Operating EPS Bridge – 4Q12 to 4Q13” 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 Supplemental Materials

**Reconciliation of Operating EPS Bridge FY12 to FY13**

<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Acquisition-related Adjustments*</th>
<th>Retirement-related Adjustments**</th>
<th>Operating (Non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12 EPS</td>
<td>$14.37</td>
<td>$0.55</td>
<td>$0.33</td>
<td>$15.25</td>
</tr>
<tr>
<td>Revenue growth @ actual</td>
<td>(0.65)</td>
<td>(0.03)</td>
<td>(0.01)</td>
<td>(0.69)</td>
</tr>
<tr>
<td>Margin expansion</td>
<td>0.54</td>
<td>0.13</td>
<td>0.31</td>
<td>0.98</td>
</tr>
<tr>
<td>Share repurchases</td>
<td>0.68</td>
<td>0.03</td>
<td>0.03</td>
<td>0.74</td>
</tr>
<tr>
<td>FY13 EPS</td>
<td>$14.94</td>
<td>$0.68</td>
<td>$0.66</td>
<td>$16.28</td>
</tr>
</tbody>
</table>

* Includes amortization of purchased intangibles, in process R&D, severance cost for acquired employees, vacant space for acquired companies, deal costs and acquisition integration tax charges.

** Includes retirement related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of transition assets, other settlements, curtailments, multi-employer plans and insolvency insurance.

The above serves to reconcile the Non-GAAP financial information contained in the “Operating EPS Bridge – FY12 to FY13” 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.
## Reconciliation of Debt-to-Capital Ratio

<table>
<thead>
<tr>
<th></th>
<th>FY 13</th>
<th>FY 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Global Financing Debt / Capital</td>
<td>39%</td>
<td>36%</td>
</tr>
<tr>
<td>IBM Consolidated Debt / Capital</td>
<td>63%</td>
<td>64%</td>
</tr>
</tbody>
</table>

The above serves to reconcile the Non-GAAP financial information contained in the “Balance Sheet Summary” discussion in the company’s earnings presentation. See Slide 30 of this presentation for additional information on the use of these Non-GAAP financial measures.
Non-GAAP Supplemental Materials

Reconciliation of Free Cash Flow (excluding GF Receivables)

<table>
<thead>
<tr>
<th>$ in Billions</th>
<th>3 months ended 9/30/13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Cash from Operations</strong></td>
<td>$3.8</td>
</tr>
<tr>
<td><strong>Less: Global Financing Receivables</strong></td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Net Cash from Operations (excluding GF Receivables)</strong></td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Net Capital Expenditures</strong></td>
<td>(1.0)</td>
</tr>
<tr>
<td><strong>Free Cash Flow (excluding GF Receivables)</strong></td>
<td>$2.2</td>
</tr>
</tbody>
</table>

The above serves to reconcile the Non-GAAP financial information contained in the “Cash Flow Analysis” discussion in the company’s earnings presentation. See Slide 30 of this presentation for additional information on the use of these Non-GAAP financial measures.
Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth

<table>
<thead>
<tr>
<th>Geographical Area</th>
<th>4Q13 Yr/Yr</th>
<th>FY13 Yr/Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As Rptd</td>
<td>@CC</td>
</tr>
<tr>
<td>Japan</td>
<td>(16%)</td>
<td>4%</td>
</tr>
<tr>
<td>China</td>
<td>(22%)</td>
<td>(23%)</td>
</tr>
<tr>
<td>Key Branded Middleware</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>13%</td>
<td>18%</td>
</tr>
</tbody>
</table>

The above serves to reconcile the Non-GAAP financial information contained in the “Revenue by Geography,” “Software Segment” and “Revenue by Geography – FY 2013,” discussions 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 Supplemental Materials

Reconciliation of Consolidated EPS

<table>
<thead>
<tr>
<th></th>
<th>EPS (As Reported)</th>
<th>Acquisition-Related</th>
<th>Non-Operating Retirement-Related</th>
<th>Operating EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$11.52</td>
<td>$0.34</td>
<td>($0.20)</td>
<td>$11.67</td>
</tr>
<tr>
<td>2011</td>
<td>13.06</td>
<td>0.41</td>
<td>(0.03)</td>
<td>13.44</td>
</tr>
</tbody>
</table>

The above serves to reconcile the Non-GAAP financial information contained in the “FY 2013 Summary” 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.