

2Q 2009 Earnings Presentation

July 16, 2009

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Forward Looking Statements

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

Those statements involve a number of factors that could cause actual results to differ materially.

Additional information concerning these factors is contained in the Company's filings with the SEC. Copies are available from the SEC, from the IBM web site, or from IBM Investor Relations.

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

2Q 2009 Highlights

Gross Profit Margin	45.5%	+2.3 pts yr/yr
Pre-Tax Margin	18.3%	+4.1 pts yr/yr
EPS	\$2.32	+18% yr/yr

- Delivering value to clients in tough macro environment
 - Outsourcing signings +12% @CC, strategic outsourcing +38% @CC
 - Key branded middleware revenue +5% @CC
- Accelerating shift to higher value through acquisitions
 - Strong performance from Cognos, Telelogic, ILOG, XIV, Diligent
- Strengthening margin performance through mix to higher value and ongoing focus on productivity
 - Services, Software and Financing deliver 93% of segment pre-tax profit
 - Expect \$3.5B savings in 2009 from initiatives
- Continuing investments for future growth
 - Smarter Planet, Business Analytics, Cloud Computing

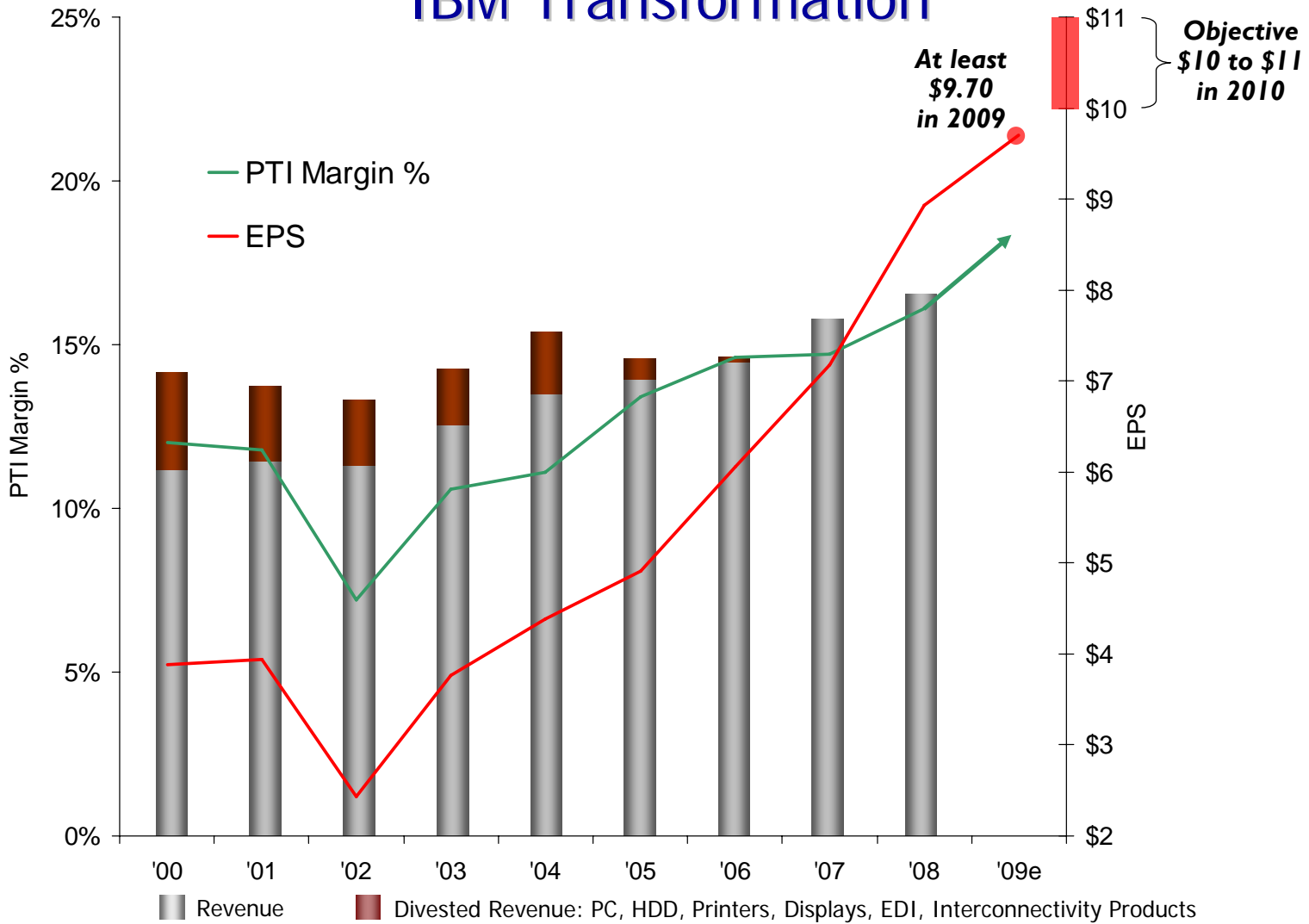
Record EPS for a 1st, 2nd, and 3rd quarter*
Increasing EPS expectations to at least \$9.70 in 2009

Financial Summary

\$ in Billions, except EPS	<u>2Q09</u>	<u>B/(W)</u> <u>Yr/Yr</u>
Revenue	\$23.3	(13%)
@CC		(7%)
GP %	45.5%	2.3 pts
Expense	\$6.3	19%
Pre-Tax Income	\$4.3	12%
PTI Margin	18.3%	4.1 pts
Tax Rate	27.2%	0.3 pts
Net Income	\$3.1	12%
Net Income Margin	13.3%	3.0 pts
Shares (Diluted) (M)	1,336.9	5%
EPS	\$2.32	18%

Results driven by margin performance

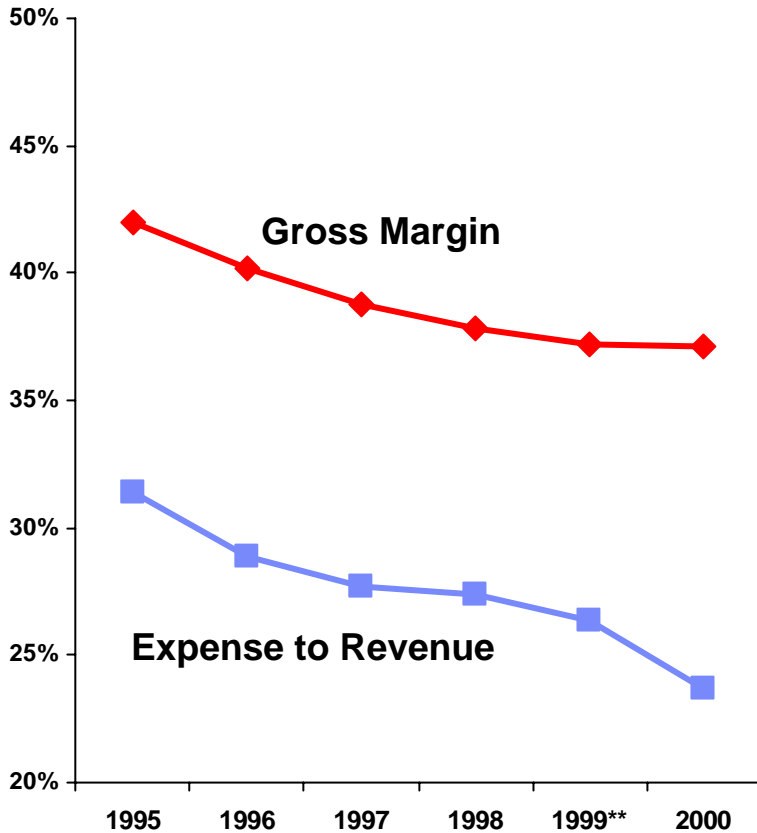
IBM Transformation



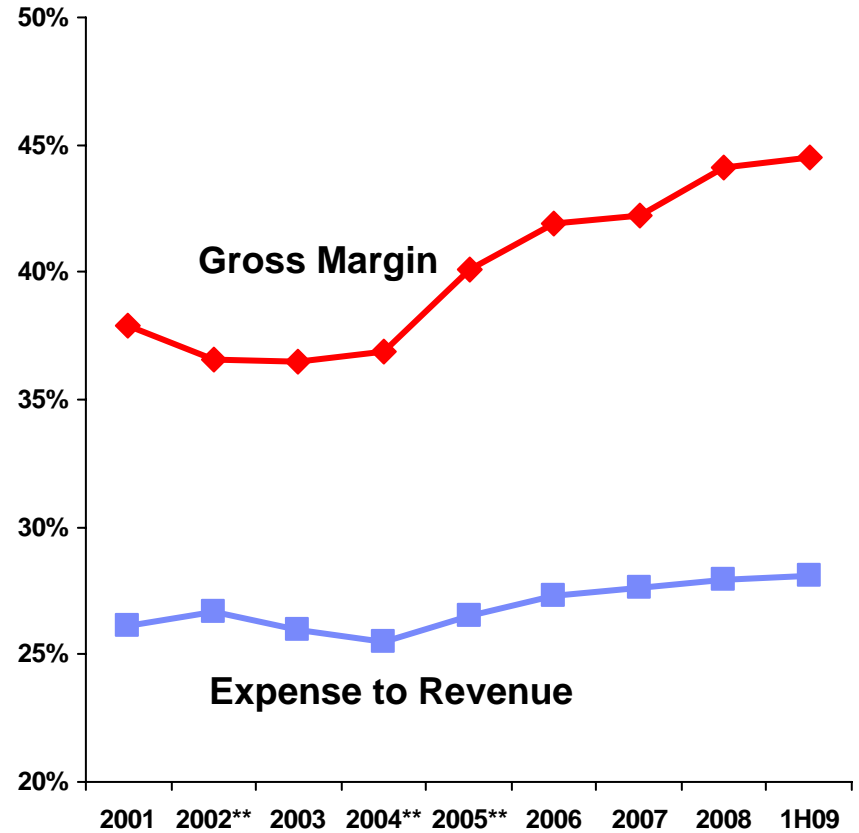
Business model provides significant operating leverage

Margin Trends

Financial Trends Late 90s*



Financial Trends Today



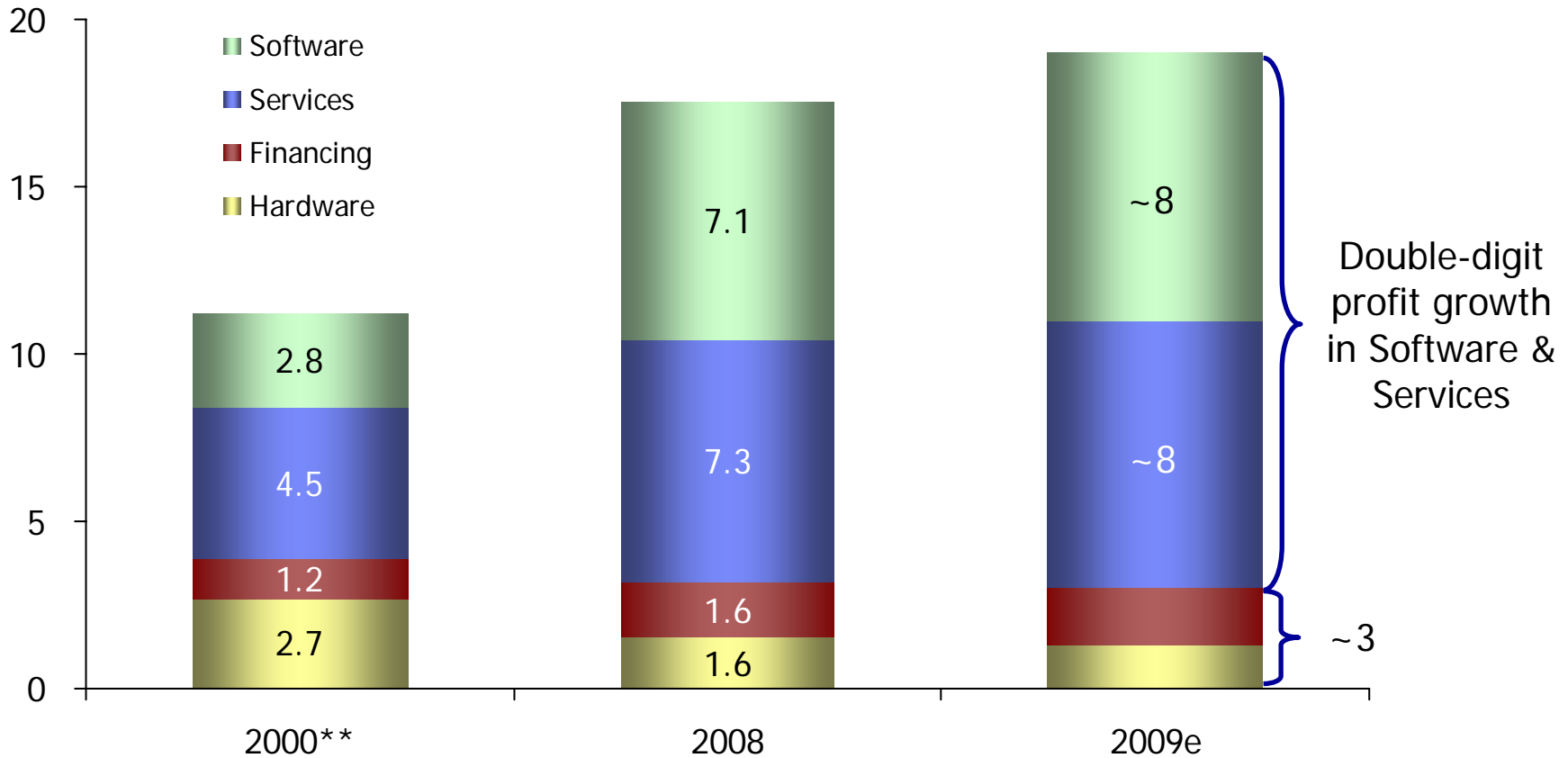
* 1995-1996 As Reported; 1997-2000 Continuing Operations; not restated for stock-based compensation

** Excludes Special Actions

Portfolio shift yields higher margins with continued investment

Shifting Business Mix

Segment Pre-tax Income (\$B) *



* Sum of external segment pre-tax income not equal to IBM pre-tax income

** Stock-based compensation expense was not recorded at the segment level

Increasing profit contribution from Software & Services

Revenue by Key Industry Sales Unit

\$ in Billions

B/(W) Yr/Yr
Rptd @CC

2Q09

	<u>2Q09</u>	<u>B/(W) Yr/Yr</u> <u>Rptd @CC</u>	<u>B/(W) Yr/Yr</u> <u>Rptd @CC</u>
Financial Services	\$6.5	(14%)	(7%)
Public	4.0	Flat	7%
Industrial	2.4	(23%)	(18%)
Distribution	2.2	(16%)	(11%)
Communications	2.3	(11%)	(4%)
General Business	4.6	(14%)	(7%)
All Sectors	\$22.7	(13%)	(6%)
Total IBM	\$23.3	(13%)	(7%)

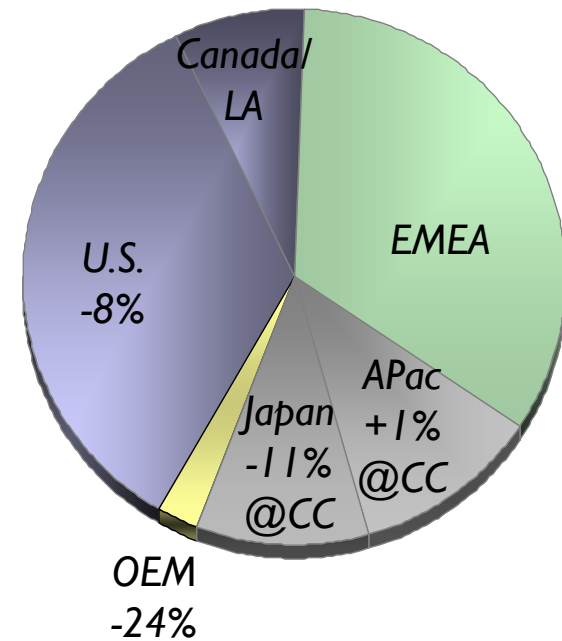


Led by Public Sector; growth in Education, Healthcare, Government @cc

Revenue by Geography

\$ in Billions

	<u>2009</u>	<u>B/(W) Rptd</u>	<u>Yr/Yr @CC</u>
Americas	\$9.9	(9%)	(7%)
Europe/ME/A	7.9	(20%)	(7%)
Asia Pacific	4.9	(7%)	(5%)
Total Geographies	\$22.7	(13%)	(6%)
IBM	\$23.3	(13%)	(7%)
<i>Major Markets</i>		<i>(13%)</i>	<i>(8%)</i>
<i>Growth Markets</i>		<i>(11%)</i>	<i>1%</i>
<i>BRIC Countries</i>		<i>(11%)</i>	<i>(1%)</i>



Growth markets 8 points faster than major markets

Revenue and Gross Margin by Segment

\$ in Billions	Revenue			Gross Profit Margin	
	<u>2Q09</u>	<u>B/(W) Rptd</u>	<u>Yr/Yr @CC</u>	<u>2Q09</u>	<u>B/(W) Yr/Yr Pts</u>
Global Technology Services	\$9.1	(10%)	(2%)	34.8%	3.2 pts
Global Business Services	4.3	(15%)	(9%)	27.2%	1.3 pts
Software	5.2	(7%)	Flat	85.9%	1.2 pts
Systems & Technology	3.9	(26%)	(22%)	37.1%	(1.5 pts)
Global Financing	0.6	(10%)	(4%)	47.1%	(8.2 pts)
Total Segments	\$23.0	(13%)	(7%)	45.5%	2.0 pts
Total IBM	\$23.3	(13%)	(7%)	45.5%	2.3 pts

Margin expansion in 19 of last 20 quarters

Expense and Investment Summary

\$ in Billions	<u>2009</u>	B/(W) <u>Yr/Yr</u>	<u>B/(W) Yr/Yr Drivers</u>		
			<u>Currency</u>	<u>Acq.*</u>	<u>Ops</u>
SG&A	\$5.1	19%	7 pts	(1 pts)	12 pts
RD&E	1.4	14%	4 pts	(1 pts)	10 pts
IP and Development Income	(0.3)	6%			
Other (Income)/Expense	0.0	14%			
Interest Expense	<u>0.1</u>	31%			
Total Expense & Other Income	\$6.3	19%	10 pts	(1 pts)	10 pts

* Includes Acquisitions made in the last twelve months

Disciplined expense management; investing for future growth

Margins by Segment

	External Gross Profit Margins		Total Pre-Tax Margins	
	<u>2Q09</u>	<u>B/(W) Yr/Yr Pts</u>	<u>2Q09</u>	<u>B/(W) Yr/Yr Pts</u>
Global Technology Services	34.8%	3.2 pts	14.9%	5.4 pts
Global Business Services	27.2%	1.3 pts	13.3%	1.5 pts
Software	85.9%	1.2 pts	32.0%	8.3 pts
Systems & Technology	37.1%	(1.5 pts)	8.1%	0.8 pts
Global Financing	47.1%	(8.2 pts)	45.8%	8.9 pts
Total Segments	45.5%	2.0 pts	18.7%	5.0 pts
Total IBM	45.5%	2.3 pts	18.3%	4.1 pts

Pre-Tax Margin expansion in every segment

Services Segments

Global Technology Services (GTS)

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>2Q09</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$9.1	(10%)	(2%)
Gross Margin (External)	34.8%	3.2 pts	
PTI Margin	14.9%	5.4 pts	

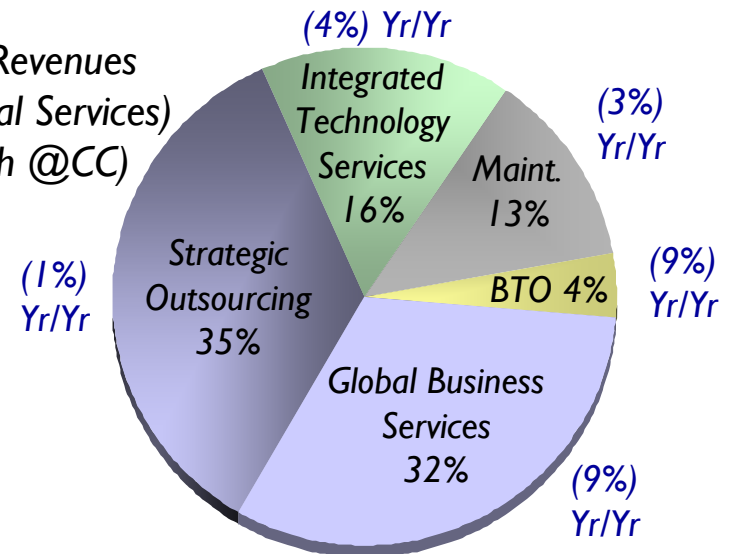
Global Business Services (GBS)

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>2Q09</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$4.3	(15%)	(9%)
Gross Margin (External)	27.2%	1.3 pts	
PTI Margin	13.3%	1.5 pts	

<u>GTS Signings</u>	<u>2Q09</u>	<u>Yr/Yr</u>	<u>@CC</u>
Integrated Technology Svcs	\$2.4	(11%)	(5%)
Outsourcing (SO + BTO)	6.7	13%	24%
Total GTS Signings	\$9.1	5%	15%

<u>GBS Signings</u>	<u>2Q09</u>	<u>Yr/Yr</u>	<u>@CC</u>
Consulting & Systems Integ.	\$3.6	(15%)	(8%)
Application Outsourcing	1.3	(29%)	(27%)
Total GBS Signings	\$4.9	(19%)	(14%)
Total Global Services Signings	\$14.0	(5%)	3%

2Q09 Revenues
(% of Total Services)
(Growth @CC)



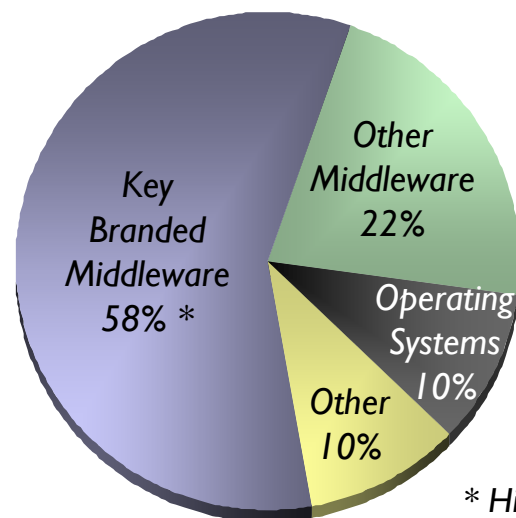
Strong margin expansion; strategic outsourcing signings +38% @cc

Software Segment

\$ in Billions	<u>B/(W) Yr/Yr</u>		
	<u>2Q09</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$5.2	(7%)	Flat
Gross Margin (External)	85.9%	1.2 pts	
PTI Margin	32.0%	8.3 pts	

<u>2Q09 Revenue</u>	<u>Yr/Yr</u>	
	<u>Rptd</u>	<u>@CC</u>
WebSphere Family	8%	17%
Information Management	(4%)	4%
Tivoli	(2%)	6%
Lotus	(14%)	(8%)
Rational	(2%)	5%
Key Branded Middleware	(2%)	5%
Total Middleware	(5%)	3%
Total Software	(7%)	Flat

2Q09 Revenue
(% of Total Software)



* Highest percentage ever in 1st, 2nd, 3rd quarters

Strength in Branded Middleware

Systems & Technology Segment

\$ in Billions

B/(W) Yr/Yr

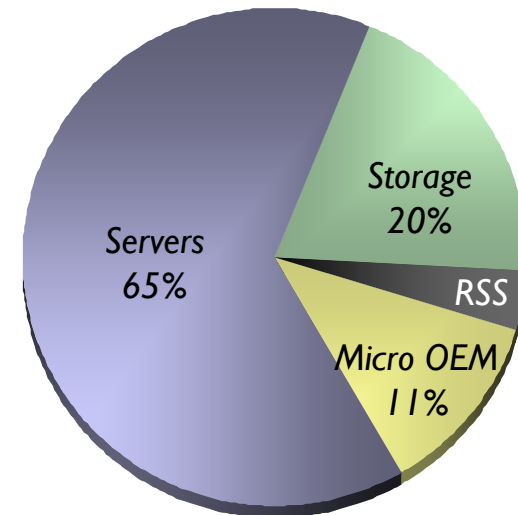
	<u>2Q09</u>	<u>Rptd</u>	<u>@CC</u>
Revenue (External)	\$3.9	(26%)	(22%)
Gross Margin (External)	37.1%	(1.5 pts)	
PTI Margin	8.1%	0.8 pts	

2Q09 Revenue

Yr/Yr

	<u>Rptd</u>	<u>@CC</u>
System z	(39%)	(35%)
Converged System p	(13%)	(8%)
System x Servers	(22%)	(17%)
Storage	(20%)	(15%)
Retail Store Solutions	(41%)	(36%)
Total Systems	(26%)	(22%)
Microelectronics OEM	(23%)	(23%)
Total Systems & Technology	(26%)	(22%)

2Q09 Revenue
(% of Total S&TG)



Share gains in Converged System p and System x

Cash Flow Analysis

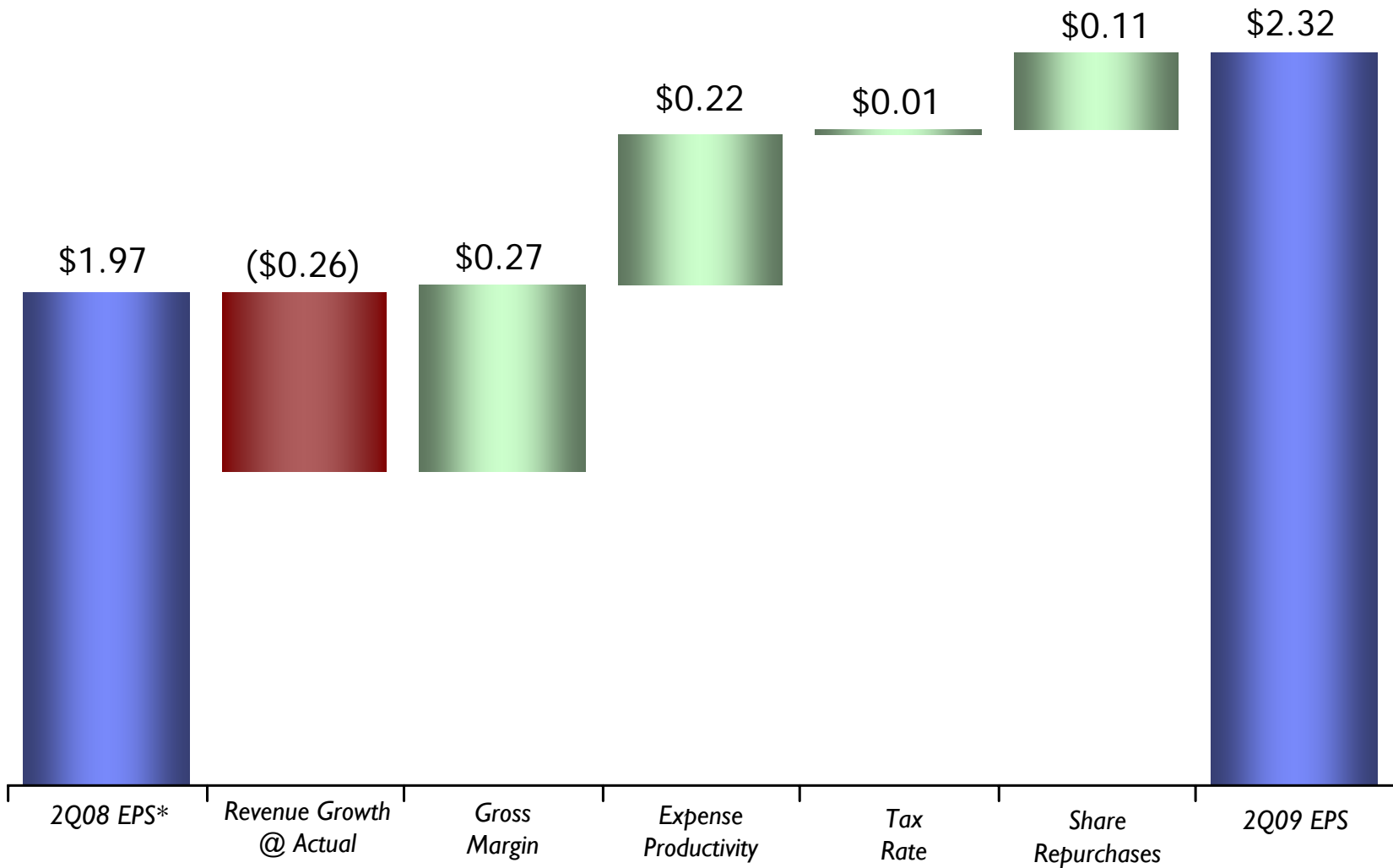
\$ in Billions	<u>2Q09</u>	<u>B/(W)</u> <u>Yr/Yr</u>	<u>YTD</u> <u>1H09</u>	<u>B/(W)</u> <u>Yr/Yr</u>
Net Cash from Operations	\$4.7	\$0.5	\$9.1	\$0.7
Less: Global Financing Receivables	<u>0.4</u>	<u>1.1</u>	<u>3.0</u>	<u>1.2</u>
Net Cash from Operations (excluding GF Receivables)	4.3	(0.6)	6.1	(0.6)
Net Capital Expenditures	<u>(0.9)</u>	<u>0.3</u>	<u>(1.6)</u>	<u>0.8</u>
Free Cash Flow (excluding GF Receivables)	3.4	(0.3)	4.5	0.2
Acquisitions	(0.1)	0.9	(0.1)	5.8
Divestitures	0.0	0.0	0.4	0.3
Dividends	(0.7)	0.0	(1.4)	(0.2)
Share Repurchases	(1.7)	3.1	(3.4)	3.7
Non-GF Debt	(0.3)	(0.7)	(2.2)	(0.9)
Other (includes GF A/R & GF Debt)	<u>(0.5)</u>	<u>(0.5)</u>	<u>1.9</u>	<u>(3.1)</u>
Change in Cash & Marketable Securities	\$0.2	\$2.4	(\$0.4)	\$5.9

Balance Sheet Summary

\$ in Billions	<u>June 08</u>	<u>Dec. 08</u>	<u>June 09</u>
Cash & Marketable Securities	\$9.8	\$12.9	\$12.5
Non-GF Assets*	75.8	61.8	60.2
Global Financing Assets*	35.2	34.9	30.9
Total Assets	120.9	109.5	103.7
Other Liabilities	58.3	62.0	58.8
Non-GF Debt	9.1	9.6	6.6
Global Financing Debt	25.2	24.4	22.8
Total Debt	34.2	33.9	29.4
Total Liabilities	92.5	95.9	88.2
Equity	28.4	13.6	15.5
Non-GF Debt / Capital	27%	49%	35%
Global Financing Leverage	6.8	7.0	6.9

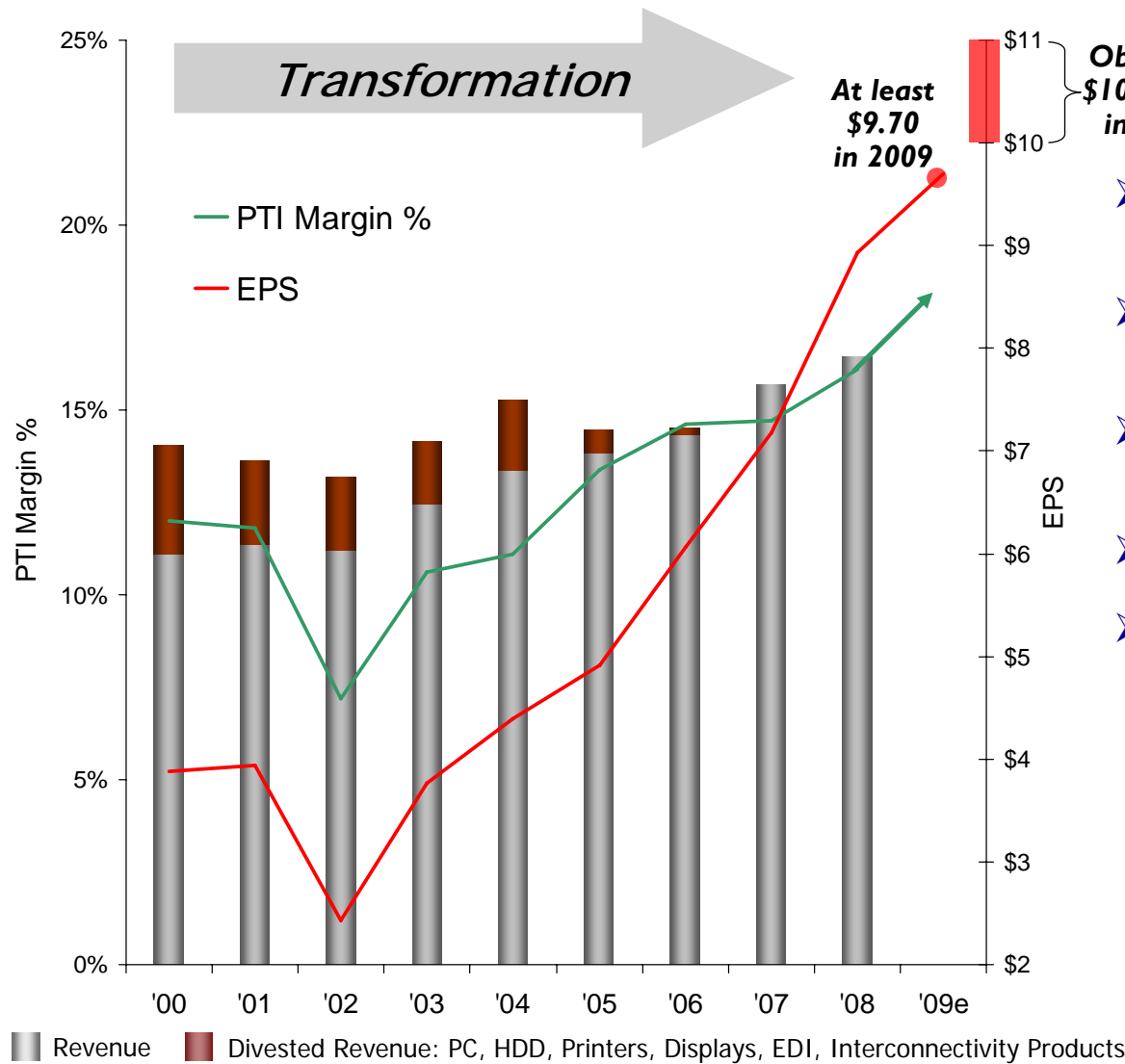
* Excluding Cash & Marketable Securities

EPS Bridge – 2Q08 to 2Q09



* EPS has been restated to reflect the adoption of EITF 03-6-1

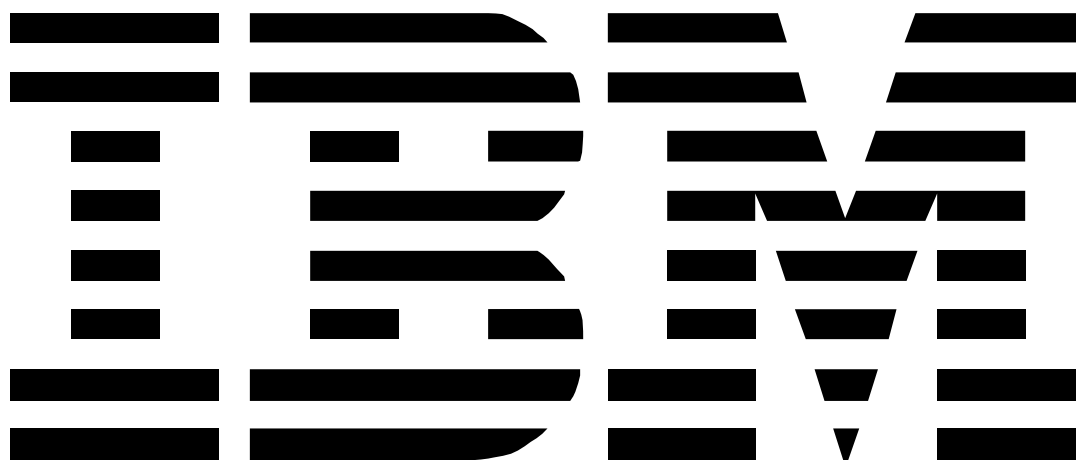
2Q 2009 Summary



- Shifting portfolio to higher value spaces
- Driving productivity and efficiency in our cost structure
- Investing in skills and capabilities to drive future growth
- Returning capital to shareholders
- Significant operating leverage in businesses with improved long-term growth prospects

Increasing EPS expectations to at least \$9.70 in 2009
Well ahead of pace for 2010 roadmap

Note: EPS has been restated to reflect the adoption of EITF 03-6-1



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
- Cash Flow (FAS 95)
- Margin Opportunity
- Supplemental EPS Information – Acquisition-Related Activity
- Non-GAAP Supplementary Materials
 - Constant Currency, Cash Flow
 - Non-Recurring and Unique Items, Debt-to-Capital Ratio
 - Reconciliation of Gross Margin and Expense to Revenue
 - Reconciliation of Revenue Growth
 - Reconciliation of Systems & Technology Revenue Growth
 - Reconciliation of Debt-to-Capital Ratio

Currency – Year/Year Comparison

Quarterly Averages per US \$

	<u>1Q09</u>	<u>Yr/Yr</u>	<u>2Q09</u>	<u>Yr/Yr</u>	<u>7/15 Spot</u>	<u>Yr/Yr @ 7/15 Spot</u>	
						<u>3Q09</u>	<u>4Q09</u>
Euro	0.77	(15%)	0.73	(15%)	0.71	(6%)	7%
Pound	0.70	(38%)	0.65	(27%)	0.61	(15%)	5%
Yen	93	11%	97	7%	93	13%	3%
IBM Revenue Impact		(8 pts)		(7 pts)		~(2-3 pts)	~3-4 pts
Revenue As Reported			<u>(US\$B)</u>	<u>Yr/Yr</u>			
Currency Impact			(1.7)	(7 pts)			
Revenue @CC			\$25.0	(7%)			

IBM hedges its major cross-border cash flows to mitigate the effect of currency volatility. The impact of these hedging programs is principally reflected in Other Income and Expense, as well as Cost of Goods Sold.

Negative Yr/Yr growth signifies a translation hurt

Supplemental Segment Information – 2Q 2009

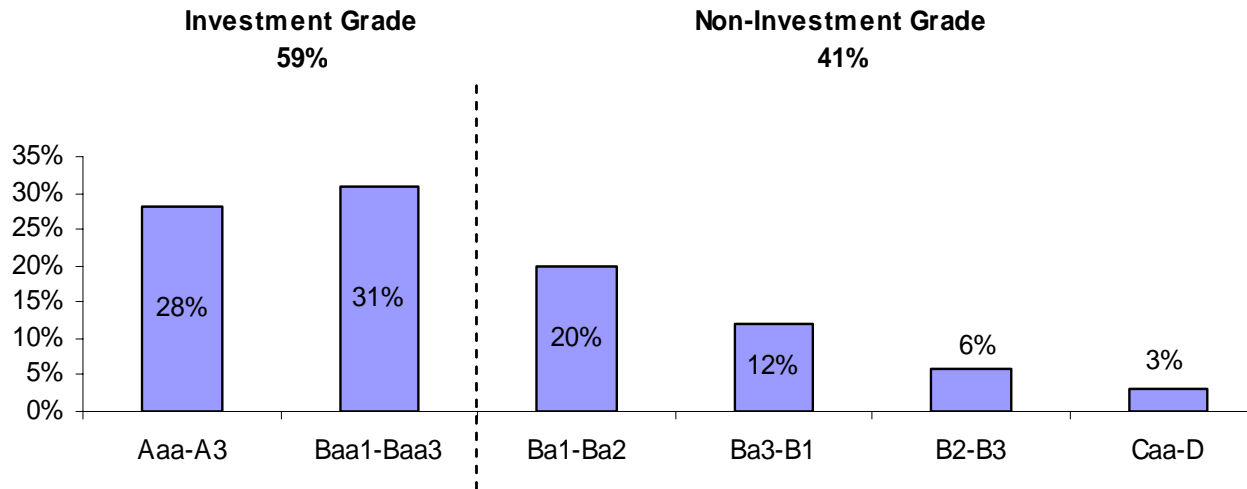
<i>Global Services</i>	<u>Revenue Growth</u>		<i>Global Services</i>	<u>Signings (\$B)</u>		
	<u>Yr/Yr</u>	<u>@CC</u>		<u>2Q09</u>	<u>Yr/Yr</u>	<u>@CC</u>
Strategic Outsourcing	(9%)	(1%)	<u>Global Services (C&SI / ITS)</u>	\$6.0	(14%)	(7%)
Business Transformation Outsourcing	(17%)	(9%)	GBS (C&SI)	3.6	(15%)	(8%)
Integrated Tech Services	(10%)	(4%)	GTS (ITS)	2.4	(11%)	(5%)
Maintenance	<u>(10%)</u>	<u>(3%)</u>	<u>Global Services Outsourcing</u>	\$8.0	3%	12%
Global Technology Services	(10%)	(2%)	GBS (App. Outsourcing)	1.3	(29%)	(27%)
Global Business Services	(15%)	(9%)	GTS (SO & BTO)	6.7	13%	24%
			SO		27%	38%
			BTO		(42%)	(32%)
Backlog	\$132B					
<u>Change in Backlog due to Currency</u>						
Quarter-to-Quarter	\$6B					
Year-to-Year	(\$9B)					

Supplemental Segment Information – 2Q 2009

Systems & Technology Group	Revenue Growth				Software	Revenue Growth	
	Yr/Yr	@CC	GP%	Share		Yr/Yr	@CC
System z	(39%)	(35%)	↑	↓	WebSphere Family	8%	17%
Converged System p	(13%)	(8%)	↑	↑	Information Management	(4%)	4%
System x Servers	(22%)	(17%)	↑	↑	Tivoli	(2%)	6%
System Storage	(20%)	(15%)	↓	=	Lotus	(14%)	(8%)
Retail Store Solutions	(41%)	(36%)	↓	↓	Rational	<u>(2%)</u>	<u>5%</u>
Total Systems	(26%)	(22%)	↓	=	Key Branded Middleware	(2%)	5%
Microelectronics OEM	(23%)	(23%)	↓		Other Middleware	<u>(11%)</u>	<u>(4%)</u>
Total Systems & Technology	(26%)	(22%)	↓		Total Middleware	(5%)	3%
					Operating Systems	(11%)	(4%)
					Other Software/Services	<u>(20%)</u>	<u>(14%)</u>
					Total Software	(7%)	Flat

Global Financing Portfolio

2Q09 – \$22.7B Net External Receivables



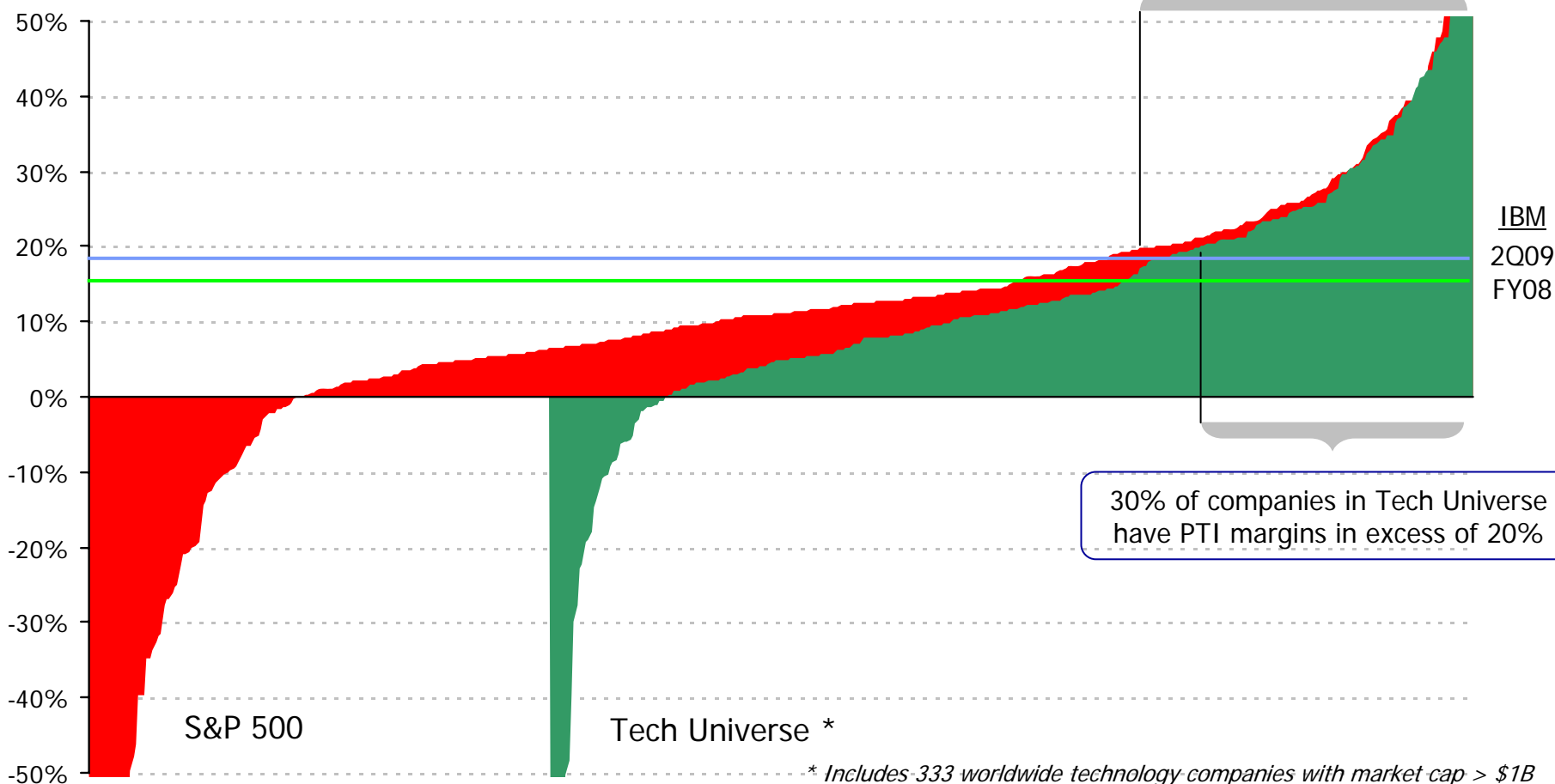
	<u>2Q09</u>	<u>1Q09</u>	<u>2Q08</u>
Identified Loss Rate	1.7%	1.7%	1.0%
Anticipated Loss Rate	0.6%	0.6%	0.5%
Reserve Coverage	2.3%	2.3%	1.5%
Client Days Delinquent Outstanding	3.4	3.8	4.6
Commercial A/R > 30 Days	\$48M	\$63M	\$98M

Cash Flow (FAS 95)

\$ in Billions	<u>QTD</u> <u>2009</u>	<u>QTD</u> <u>2008</u>	<u>YTD</u> <u>1H09</u>	<u>YTD</u> <u>1H08</u>
Net Income from Operations	\$3.1	\$2.8	\$5.4	\$5.1
Depreciation / Amortization of Intangibles	1.2	1.4	2.5	2.8
Stock-based Compensation	0.1	0.2	0.3	0.3
Working Capital / Other	(0.2)	0.5	(2.0)	(1.5)
Global Financing A/R	0.4	(0.6)	3.0	1.8
Net Cash provided by Operating Activities	4.7	4.3	9.1	8.5
Capital Expenditures, net of payments & proceeds	(0.9)	(1.2)	(1.6)	(2.4)
Divestitures, net of cash transferred	0.0	0.0	0.4	0.0
Acquisitions, net of cash acquired	(0.1)	(0.9)	(0.1)	(5.9)
Marketable Securities / Other Investments, net	(0.9)	1.0	(0.5)	1.3
Net Cash used in Investing Activities	(1.8)	(1.1)	(1.9)	(6.9)
Debt, net of payments & proceeds	(1.6)	(0.6)	(4.0)	(1.4)
Dividends	(0.7)	(0.7)	(1.4)	(1.2)
Common Stock Repurchases	(1.7)	(4.7)	(3.4)	(7.2)
Common Stock Transactions - Other	0.3	1.7	0.5	2.7
Net Cash used in Financing Activities	(3.7)	(4.3)	(8.3)	(7.1)
Effect of Exchange Rate changes on Cash	0.2	0.0	0.0	0.2
Net Change in Cash & Cash Equivalents	(\$0.6)	(\$1.2)	(\$1.1)	(\$5.4)

Margin Opportunity

Pre-tax Income Margin



Supplemental EPS Information – Acquisition-Related Activity

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

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

Supplemental EPS Information – Acquisition-Related Activity - 2009

\$ in Millions, except EPS

1Q09

2Q09

As Reported

Pre-Tax Income	\$3,122	\$4,262		
Net Income	\$2,295	\$3,103		
EPS	\$1.70	\$2.32		

Adjustments

Pre-Tax Income Total	\$125	\$122		
Amortization of Acquired Intangibles	125	122		
In Process R&D	0	0		
Acquisition-Related Charges	0	0		
Net Income	\$90	\$88		
EPS	\$0.07	\$0.07		

Non-GAAP

Pre-Tax Income	\$3,247	\$4,384		
Net Income	\$2,385	\$3,191		
EPS	\$1.77	\$2.39		

Supplemental EPS Information – Acquisition-Related Activity - 2008

\$ in Millions, except EPS

	<u>1Q08</u>	<u>2Q08</u>	<u>3Q08</u>	<u>4Q08</u>	<u>FY08</u>
<u>As Reported</u>					
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	\$115	\$165	\$134	\$130	\$544
Amortization of Acquired Intangibles	115	141	134	130	520
In Process R&D	0	24	0	0	24
Acquisition-Related Charges	0	0	0	0	0
Net Income	\$82	\$125	\$95	\$95	\$397
EPS	\$0.06	\$0.09	\$0.07	\$0.07	\$0.29

Non-GAAP

Pre-Tax Income	\$3,313	\$3,979	\$4,029	\$5,938	\$17,259
Net Income	\$2,401	\$2,890	\$2,919	\$4,522	\$12,731
EPS	\$1.70	\$2.06	\$2.11	\$3.34	\$9.17

* EPS has been restated to reflect the adoption of EITF 03-6-1

** Adjustments do not include items charged to goodwill prior to implementation of FAS 141R in 1Q09

Supplemental EPS Information – Acquisition-Related Activity - 2007

\$ in Millions, except EPS

	<u>1Q07</u>	<u>2Q07*</u>	<u>3Q07</u>	<u>4Q07</u>	<u>FY07*</u>
<u>As Reported</u>					
Pre-Tax Income	\$2,579	\$3,142	\$3,280	\$5,489	\$14,489
Net Income	\$1,844	\$2,260	\$2,361	\$3,951	\$10,418
EPS**	\$1.21	\$1.54	\$1.67	\$2.78	\$7.15

Adjustments***

Pre-Tax Income Total	\$94	\$93	\$95	\$87	\$367
Amortization of Acquired Intangibles	94	93	95	87	367
In Process R&D	0	0	0	0	0
Acquisition-Related Charges	0	0	0	0	0
Net Income	\$63	\$62	\$64	\$58	\$245
EPS	\$0.04	\$0.04	\$0.04	\$0.04	\$0.17

Non-GAAP

Pre-Tax Income	\$2,673	\$3,235	\$3,375	\$5,576	\$14,856
Net Income	\$1,907	\$2,322	\$2,425	\$4,009	\$10,663
EPS	\$1.25	\$1.58	\$1.72	\$2.82	\$7.32

* Includes \$81M pre-tax gain (\$0.05) associated with printer sale

** EPS has been restated to reflect the adoption of EITF 03-6-1

*** Adjustments do not include items charged to goodwill prior to implementation of FAS 141R in 1Q09

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. 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

Non-Recurring and Unique Items

Management presents certain financial results excluding the effects of special actions taken in 1999, 2002, 2004 and 2005. Given the unique and/or non-recurring nature of these items, management believes that presenting certain financial information without these items is more representative of the company's operational performance and provides additional insight into, and clarifies the basis for, historical and/or future performance, which may be more useful for investors.

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.

Non-GAAP Supplementary Materials

Reconciliation of Gross Margin and Expense to Revenue

	<u>1999</u>	<u>2002</u>	<u>2004</u>	<u>2005</u>
Gross Margin, excluding Special Actions	37.2%	36.6%	36.9%	40.1%
Special Actions	<u>(0.2)</u>	—	—	—
Gross Margin, as reported	37.0%	36.6%	36.9%	40.1%
Expense to Revenue, excluding Special Actions	26.4%	26.7%	25.5%	26.5%
Special Actions	<u>(3.5)</u>	<u>2.7</u>	<u>0.4</u>	<u>0.2</u>
Expense to Revenue, as reported	22.9%	29.4%	25.9%	26.7%

The above serves to reconcile the Non-GAAP financial information contained in the "Margin Trends" discussion in the company's earnings presentation. See Slide 33 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplementary Materials

Reconciliation of Revenue Growth

	<u>2009 Yr/Yr</u>	
	<u>As Rptd</u>	<u>@CC</u>
Public Sector - Education	21%	29%
Public Sector – Healthcare	6%	11%
Asia Pacific Revenue, other than Japan	(10%)	1%
Japan Revenue	(4%)	(11%)

The above serves to reconcile the Non-GAAP financial information contained in the “Revenue by Key Industry Sales Unit” and “Revenue by Geography” discussion regarding revenue growth in certain industries/countries in the company’s earnings presentation. See Slide 32 of this presentation for additional information on the use of these Non-GAAP financial measures.

Non-GAAP Supplementary Materials

Reconciliation of Systems & Technology Revenue Growth

	<u>2009 Yr/Yr</u>	
	<u>As Rptd</u>	<u>@CC</u>
System Z – Growth Markets	2%	17%

The above serves to reconcile the Non-GAAP financial information contained in the "Systems & Technology Segment" discussion regarding revenue growth in certain products/markets in the company's earnings presentation. See Slide 32 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>2Q08</u>	<u>FY08</u>	<u>1Q09</u>	<u>2Q09</u>
Non-GF Debt / Capital	27%	49%	42%	35%
IBM Consolidated Debt / Capital	55%	71%	69%	65%

The above serves to reconcile the Non-GAAP financial information contained in the "Balance Sheet Summary" discussion regarding the non-GF debt to capital ratio in the company's earnings presentation. See Slide 33 of this presentation for additional information on the use of these Non-GAAP financial measures.

