

IBM 4Q 2016 Earnings

January 19, 2017

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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 earning 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 is included as Exhibit 99.2 to the company's Form 8-K submitted to the SEC on January 19, 2017. The reconciliation of non-GAAP information to GAAP is included on the slides entitled "Non-GAAP Supplemental Materials" in this presentation. For other related information please visit the Company's investor relations web site at:

<http://www.ibm.com/investor/events/earnings/4q16.html>



Overview

4Q16

\$21.8B

\$ 5.01

\$11.6B

FY16

\$79.9B

\$13.59

Revenue

Operating EPS

Free Cash Flow

- Continued strength in strategic imperatives
- Progress in building new businesses and creating new markets
- Delivering innovation in more traditional businesses and monetizing core technologies
- Returning capital to shareholders



A Cognitive Solutions & Cloud Platform Company

4Q16 Performance

- Strategic Imperatives revenue \$10B, up 12% yr/yr

2016 Progress

- Solving real business problems in new era requires:
Cognitive + Cloud + Industry
- Expanding cognitive offerings and capabilities
 - Watson Health, Watson IOT, Watson Financial Services ...
 - Building scale through data, expertise, partnerships
- Expanding capabilities and reach of IBM Cloud
 - Cloud centers, cloud video platform, Bluemix
 - Partnerships to accelerate adoption
- Building blockchain platforms and services

FY16

\$33B

Strategic Imperatives
Revenue

41%

of IBM
Revenue

Strategic Imperatives Revenue	FY16	Yr/Yr
Total	\$32.8	14%
Analytics	\$19.5	9%
Cloud	\$13.7	35%
<i>aaS annual run rate</i>	\$8.6	63%
Mobile	\$4.1	35%
Security	\$2.0	14%
Social	\$1.0	(10%)

Revenue growth rates @CC, \$ in billions

Overlap in Strategic Imperatives revenue primarily reflects solutions delivered via cloud



Key Financial Metrics

P&L Highlights	4Q16	B/(W)
		Yr/Yr
Revenue	\$21.8	(1%)
Expense - Operating	\$5.7	7%
PTI - Operating	\$5.4	(2%)
NI - Operating	\$4.8	1%
EPS - Operating	\$5.01	4%

P&L Ratios (Operating)

GP Margin	51.0%	(1.8 pts)
Expense E/R	26.2%	1.6 pts
PTI Margin	24.8%	(0.2 pts)
Tax Rate	11.5%	3.1 pts
NI Margin	21.9%	0.6 pts

Revenue growth rates @CC, \$ in billions except for EPS

Cash Highlights

	4Q16	FY16
Free Cash Flow (excl. GF Receivables)	\$4.7	\$11.6
Share Repurchase (Gross)	\$0.9	\$3.5
Dividends	\$1.3	\$5.3
Cash Balance @ Dec 31	\$8.5	

- Continued growth in annuity businesses
- Gross margin reflects high level of investment and mix to as-a-Service
- Expense reflects continued high level of investment, yield from workforce savings and success in rebuilding IP income



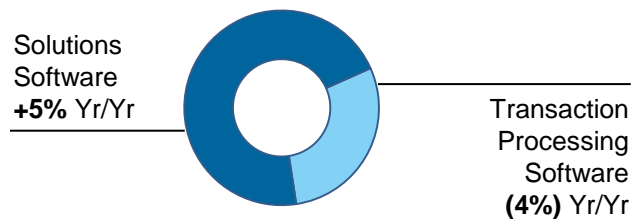
Cognitive Solutions Segment

Segment Results	4Q16	Yr/Yr
Revenue (External)	\$5.3	2%
Gross Margin (External)	82.7%	(3.0 pts)
PTI	\$2.3	1%
PTI Margin	38.6%	(1.4 pts)

Highlights

- Analytics including Watson and security led growth in Solutions Software
- Continuing to scale our platforms and extend cognitive across offerings
- Margins impacted by investment levels and SaaS ramp

Segment Revenue Elements



Strategic Imperatives Revenue within Cognitive Solutions	4Q16	Yr/Yr
Strategic Imperatives	\$3.5	7%
Cloud	\$0.6	53%
as-a-Service annual run rate	\$1.8	



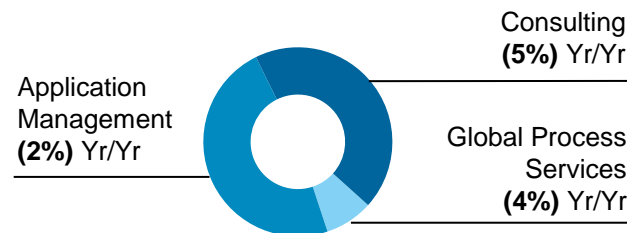
Global Business Services Segment

Segment Results	4Q16	Yr/Yr
Revenue (External)	\$4.1	(4%)
Gross Margin (External)	26.9%	(1.3 pts)
PTI	\$0.5	(26%)
PTI Margin	12.4%	(3.6 pts)

Highlights

- Accelerated growth in digital practices led by cloud and mobile
- Revenue declines in more traditional areas like ERP
- Margins reflect continued investment to shift the business to new areas

Segment Revenue Elements



Strategic Imperatives Revenue

Strategic Imperatives Revenue within Global Business Services	4Q16	Yr/Yr
Strategic Imperatives	\$2.4	19%
Cloud	\$0.9	77%
as-a-Service annual run rate	\$1.1	



Technology Services and Cloud Platforms Segment

Segment Results	4Q16	Yr/Yr
Revenue (External)	\$9.3	2%
Gross Margin (External)	42.9%	(1.4 pts)
PTI	\$1.9	4%
PTI Margin	19.8%	0.4 pts

Highlights

- Leader in hybrid services integration with growth in Infrastructure Services
- Growth in Integration Software driven by hybrid cloud and WebSphere
- Gross margin reflects business mix

Segment Revenue Elements



Strategic Imperatives Revenue within Technology Svcs & Cloud Platforms	4Q16	Yr/Yr
Strategic Imperatives	\$2.6	37%
Cloud	\$1.8	50%
as-a-Service annual run rate	\$5.8	



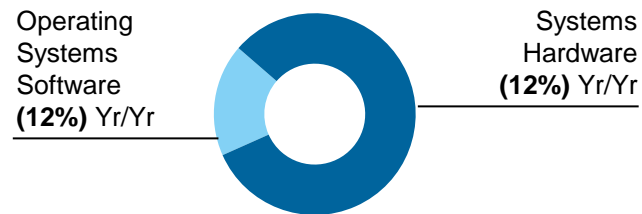
Systems Segment

Segment Results	4Q16	Yr/Yr
Revenue (External)	\$2.5	(12%)
Gross Margin (External)	56.9%	1.1 pts
PTI	\$0.6	(14%)
PTI Margin	21.6%	(0.2 pts)

Highlights

- Systems revenue and gross margin reflect growth in z Systems offset by Power and Storage declines
- Strong performance in z Systems, with revenue growth, margin expansion and new workloads added
- Continued to address shifting markets in Power and Storage

Segment Revenue Elements



Strategic Imperatives Revenue

Strategic Imperatives Revenue within Systems	4Q16	Yr/Yr
Strategic Imperatives	\$1.1	(18%)
Cloud	\$0.9	(15%)

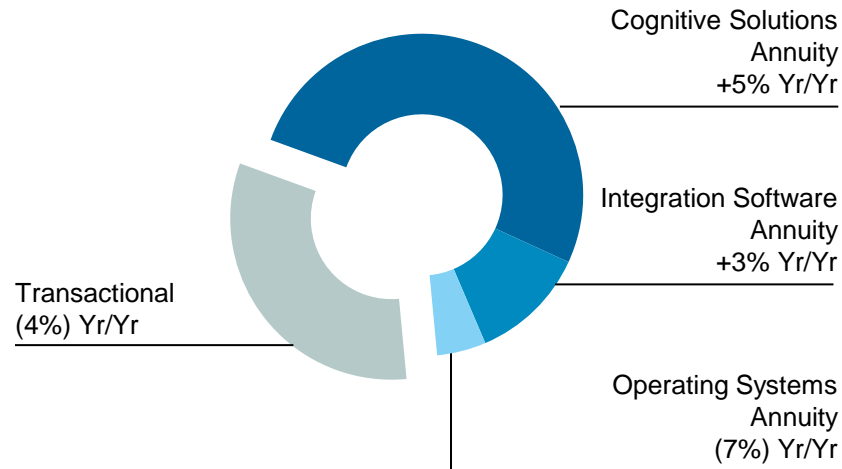


Highlights

- Growth in total software revenue in 4Q and full year
- Continued growth in Cognitive Solutions and Integration Software, while Operating Systems declined
- Continued growth in annuity content led by SaaS; moderation of transaction weakness

Software Revenue Composition

4Q16 - \$7.1B Total Software revenue, +1% Yr/Yr



Cash Flow and Balance Sheet Highlights

Cash Flow	4Q16	Yr/Yr	FY16
Net Cash from Operations*	\$5.6	(\$1.4)	\$15.3
Free Cash Flow*	\$4.7	(\$1.4)	\$11.6
Selected Uses of Cash			
Net Capital Expenditures	\$0.9		\$3.7
Acquisitions	\$0.2		\$5.7
Dividends/Share Repurchase	\$2.2		\$8.8

Balance Sheet	Dec 16	Dec 15
Cash & Marketable Securities	\$8.5	\$8.2
Total Debt	\$42.2	\$39.9
Global Financing Debt	\$27.9	\$27.2
Global Financing Leverage	7.3	7.3
Non-GF Debt	\$14.3	\$12.7
Non-GF Debt/Capital	50%	54%

- Free Cash Flow realization of 97%, in line with longer term model
- 15 acquisitions in 2016 add to capabilities in cognitive and analytics, cloud and security
- Returned ~75% of free cash flow to shareholders

- Pension funding levels remain solid
- Implementing changes to financing structure in 2017
- Positioned to support business over the longer term

\$ in billions

*Excludes Global Financing receivables



Summary

- Continued strength in strategic imperatives; growing annuity base
- Significant investments; remixing to best opportunity areas
- Building new businesses and creating new markets
- Delivering innovation in more traditional businesses and monetizing core technologies
- 2016 progress supports 2017 expectations
 - Operating EPS of at least \$13.80, compared with \$13.59 in 2016
 - Free cash flow realization >90% of GAAP net income





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Supplemental Materials

- Currency – Impact on Revenue Growth
- Strategic Imperatives Revenue
- Geographic Revenue
- Segment Revenue & Gross Profit
- Additional Revenue & Backlog Information
- Expense Summary
- Global Financing Portfolio
- Balance Sheet Summary
- Cash Flow Summary
- Cash Flow (ASC 230)
- Key Financial Metrics – FY 2016
- Segment Revenue & Gross Profit – FY 2016
- Expense Summary – FY 2016
- Retirement–Related Summary
- Non-GAAP Supplemental Materials

Some columns and rows in these materials, including the supplemental exhibits, may not add due to rounding



Currency – Impact on Revenue Growth

Quarterly Averages per US \$	3Q16	Yr/Yr	4Q16	Yr/Yr	1/18/17 Spot	Yr/Yr @ 1/18/17 Spot				
						1Q17	2Q17	3Q17	4Q17	FY17
Euro	0.90	0%	0.93	(2%)	0.94	(3%)	(6%)	(4%)	(1%)	(4%)
Pound	0.76	(18%)	0.81	(22%)	0.81	(16%)	(16%)	(6%)	(1%)	(9%)
Yen	102	16%	110	10%	113	1%	(5%)	(11%)	(3%)	(4%)
IBM Revenue Impact		0.8 pts		(0.6 pts)		(1Pts)	(2-3Pts)	(2-3Pts)	(0-1Pts)	(1-2Pts)
Prior View (Oct 2016)				0-1Pts		~1Pts	(1Pts)			

	US\$B	Yr/Yr
Revenue As Reported	\$21.8	(1.3%)
Currency Impact	(\$0.1)	(0.6 pts)
Revenue @ CC	\$21.9	(0.7%)



Strategic Imperatives Revenue

	4Q16	Yr/Yr	FY16	Yr/Yr
Total Strategic Imperatives	\$9.5	12%	\$32.8	14%
Analytics	\$5.6	9%	\$19.5	9%
Cloud	\$4.2	33%	\$13.7	35%
<i>aaS annual run rate</i>	\$8.6	63%		
Mobile	\$1.1	17%	\$4.1	35%
Security	\$0.6	8%	\$2.0	14%
Social	\$0.3	(3%)	\$1.0	(10%)

Revenue growth rates @CC, \$ in billions

Overlap in Strategic Imperatives revenue primarily reflects solutions delivered via cloud

Supplemental Materials



Geographic Revenue

Geography Revenue	4Q16	Yr/Yr
Americas	\$10.3	Flat
Europe/ME/Africa	\$6.7	(3%)
Asia Pacific	\$4.6	1%

- Sequential improvement in the Americas and Asia Pacific performance
- US returned to growth (+2%)
- Asia Pacific performance mixed, with double-digit growth in China, modest growth in India, and modest decline in Japan (-2%)
- EMEA reflects weakness in UK, Germany, Eastern Europe



Segment Revenue & Gross Profit

Segment Revenue & Gross Profit Metrics - 4Q16	Revenue	Yr/Yr	GP%	Yr/Yr
Cognitive Solutions	\$5.3	2%	82.7%	(3.0) pts
Global Business Services	\$4.1	(4%)	26.9%	(1.3) pts
<i>Cognitive Solutions & Industry Services</i>	<i>\$9.4</i>	<i>0%</i>	<i>58.3%</i>	<i>(1.5) pts</i>
Technology Services & Cloud Platforms	\$9.3	2%	42.9%	(1.4) pts
Global Technology Services	\$7.9	3%	35.3%	(1.1) pts
Integration Software	\$1.4	1%	86.0%	(2.6) pts
Systems	\$2.5	(12%)	56.9%	1.1 pts
Systems Hardware	\$2.1	(12%)	50.4%	2.4 pts
Operating Systems Software	\$0.5	(12%)	86.6%	(4.9) pts
Global Financing	\$0.4	(2%)	36.2%	(3.6) pts

Revenue growth rates @CC, \$ in billions

Supplemental Materials



Additional Revenue & Backlog Information

	4Q16	Yr/Yr
Software Revenue*	\$7.1	1%
Cognitive Solutions	\$5.3	2%
Solutions Software	\$3.7	5%
Transaction Processing Software	\$1.6	(4%)
Integration Software	\$1.4	1%
Operating Systems Software	\$0.5	(12%)
Hardware Revenue	\$2.1	(12%)
z Systems		4%
Power		(34%)
Storage		(10%)

	4Q16	Yr/Yr
Services Revenue		
Global Technology Services	\$7.9	3%
Infrastructure Services	\$6.1	3%
Technical Support Services	\$1.8	Flat
Global Business Services	\$4.1	(4%)
Consulting	\$1.8	(5%)
Global Process Services	\$0.3	(4%)
Application Management	\$2.0	(2%)
Signings**	\$14.6	(8%)
Services Backlog	\$119	(2%)
Currency Impact Year to Year		(\$2)
Currency Impact Quarter to Quarter		(\$5)

Growth rates @CC, \$ in billions, Actual backlog calculated using December 31 currency spot rates

*Total Software = Cognitive Solutions + Integration Software + Operating Systems Software

**Prior year reclassified to reflect current segment structure

Supplemental Materials



Expense Summary

Expense Metrics	4Q16	B/(W) Yr/Yr	Currency	Acq.*	Base
SG&A – Operating	\$4.8	4%	1 pts	(4 pts)	7 pts
RD&E – Operating	\$1.4	(6%)	1 pts	(6 pts)	(1 pts)
IP and Development Income	(\$0.5)	170%			
Other (Income)/Expense	(\$0.1)	(7%)			
Interest Expense	\$0.2	(22%)			
Operating Expense & Other Income	\$5.7	7%	(1 pts)	(4 pts)	12 pts

\$ in billions

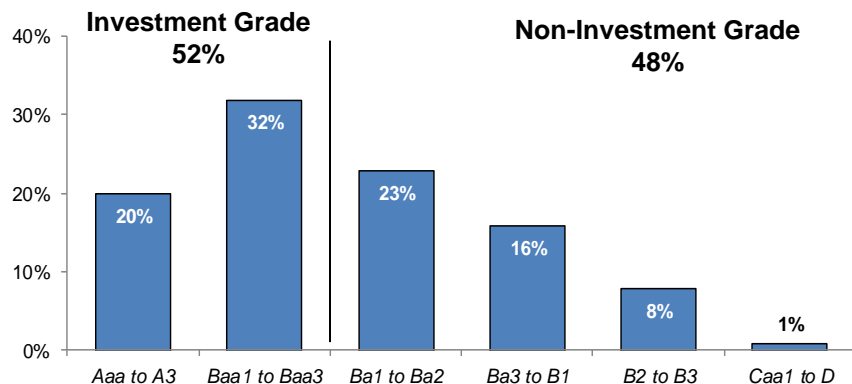
*includes acquisitions made in the last twelve months, net of non-operating acquisition-related charges

Supplemental Materials



Global Financing Portfolio

4Q16 – \$27.6B Net External Receivables



Global Financing Metrics

Global Financing Metrics	4Q16	3Q16	4Q15
Identified Loss Rate*	1.2%	2.1%	1.8%
Anticipated Loss Rate	0.4%	0.5%	0.3%
Reserve Coverage*	1.6%	2.6%	2.1%
Client Days Delinquent Outstanding	4.0	3.9	3.8
Commercial A/R > 30 days	\$22M	\$19M	\$15M

*Reduction in 4Q16 reserve coverage reflects write-off of previously reserved receivables, which has no income statement or net asset impact



Balance Sheet Summary

	Dec 16	Dec 15
Cash & Marketable Securities	\$8.5	\$8.2
Non-GF Assets*	\$74.4	\$67.7
Global Financing Assets	\$34.6	\$34.6
Total Assets	\$117.5	\$110.5
Other Liabilities	\$56.9	\$56.2
Non-GF Debt*	\$14.3	\$12.7
Global Financing Debt	\$27.9	\$27.2
Total Debt	\$42.2	\$39.9
Total Liabilities	\$99.1	\$96.1
Equity	\$18.4	\$14.4
Non-GF Debt / Capital	50%	54%
Global Financing Leverage	7.3	7.3

\$ in billions

*includes eliminations of inter-company activity

Supplemental Materials



Cash Flow Summary

	4Q16	B/(W) Yr/Yr	FY16	B/(W) Yr/Yr
Net Cash from Operations*	\$4.0	(\$1.3)	\$17.0	(\$0.0)
Less: Global Financing Receivables*	(\$1.7)	\$0.1	\$1.7	\$1.5
Net Cash from Operations (excluding GF Receivables)	\$5.6	(\$1.4)	\$15.3	(\$1.6)
Net Capital Expenditures	(\$0.9)	\$0.1	(\$3.7)	\$0.1
Free Cash Flow (excluding GF Receivables)	\$4.7	(\$1.4)	\$11.6	(\$1.5)
Acquisitions	(\$0.2)	\$2.3	(\$5.7)	(\$2.3)
Divestitures	(\$0.5)	(\$0.6)	(\$0.5)	(\$0.1)
Dividends	(\$1.3)	(\$0.1)	(\$5.3)	(\$0.4)
Share Repurchases (Gross)	(\$0.9)	(\$0.1)	(\$3.5)	\$1.1
Non-GF Debt	(\$2.0)	(\$1.2)	\$1.3	\$1.4
Other (includes GF A/R & GF Debt)	(\$1.2)	\$0.9	\$2.3	\$2.3
Change in Cash & Marketable Securities	(\$1.4)	(\$0.1)	\$0.3	\$0.6

\$ in billions

*Updated to conform to 10-K filed 2/28/17: Revised classification of certain financing receivables for 4Q16 and FY16 increasing Net Cash from Operations offset by Global Financing Receivables. No change to Net Cash from Operations (excluding GF Receivables) or Free Cash Flow.

Supplemental Materials



Cash Flow (ASC 230)

	4Q16	4Q15	FY16	FY15
Net Income from Operations	\$4.5	\$4.5	\$11.9	\$13.2
Depreciation / Amortization of Intangibles	\$1.1	\$1.0	\$4.4	\$3.9
Stock-based Compensation	\$0.1	\$0.1	\$0.5	\$0.5
Working Capital / Other	(\$0.1)	\$1.5	(\$1.5)	(\$0.7)
Global Financing A/R*	(\$1.7)	(\$1.8)	\$1.7	\$0.2
Net Cash provided by Operating Activities*	\$4.0	\$5.3	\$17.0	\$17.0
Capital Expenditures, net of payments & proceeds	(\$0.9)	(\$1.0)	(\$3.7)	(\$3.8)
Divestitures, net of cash transferred	(\$0.5)	\$0.1	(\$0.5)	(\$0.4)
Acquisitions, net of cash acquired	(\$0.2)	(\$2.5)	(\$5.7)	(\$3.3)
Marketable Securities / Other Investments, net*	(\$2.0)	(\$2.0)	(\$1.1)	(\$0.6)
Net Cash used in Investing Activities*	(\$3.7)	(\$5.4)	(\$11.0)	(\$8.2)
Debt, net of payments & proceeds	\$0.9	\$0.6	\$2.8	\$0.0
Dividends	(\$1.3)	(\$1.3)	(\$5.3)	(\$4.9)
Common Stock Repurchases	(\$0.9)	(\$0.8)	(\$3.5)	(\$4.6)
Common Stock Transactions - Other	\$0.0	\$0.1	\$0.2	\$0.3
Net Cash used in Financing Activities	(\$1.3)	(\$1.3)	(\$5.8)	(\$9.2)
Effect of Exchange Rate changes on Cash	(\$0.2)	(\$0.3)	(\$0.1)	(\$0.5)
Net Change in Cash & Cash Equivalents	(\$1.2)	(\$1.8)	\$0.1	(\$0.8)

\$ in billions

*Updated to conform to 10-K filed 2/28/17: Revised classification of certain financing receivables for 4Q16 and FY16 increasing Net Cash provided by Operating Activities and Net Cash used in Investing Activities. No impact to Net Change in Cash & Cash Equivalents or Free Cash Flow.

Supplemental Materials



Key Financial Metrics – FY 2016

P&L Highlights	FY16	B/(W) Yr/Yr
Revenue	\$79.9	(2%)
Expense - Operating	\$25.2	(6%)
PTI - Operating	\$13.9	(21%)
NI - Operating	\$13.0	(11%)
EPS - Operating	\$13.59	(9%)

P&L Ratios (Operating)

GP Margin	48.9%	(1.9 pts)
Expense E/R	31.5%	(2.3 pts)
PTI Margin	17.4%	(4.2 pts)
Tax Rate	6.5%	10.7 pts
NI Margin	16.3%	(1.6 pts)

Cash Highlights

	4Q16	FY16
Free Cash Flow (excl. GF Receivables)	\$4.7	\$11.6
Share Repurchase (Gross)	\$0.9	\$3.5
Dividends	\$1.3	\$5.3
Cash Balance @ Dec 31	\$8.5	

Revenue growth rates @CC, \$ in billions except for EPS

Supplemental Materials



Segment Revenue & Gross Profit – FY 2016

Segment Revenue & Gross Profit Metrics - FY16	Revenue	Yr/Yr	GP%	Yr/Yr
Cognitive Solutions	\$18.2	3%	81.9%	(3.3) pts
Solutions Software	\$12.6	6%		
Transaction Processing Software	\$5.6	(3%)		
Global Business Services	\$16.7	(3%)	27.0%	(1.2) pts
Consulting	\$7.3	(5%)		
Global Process Services	\$1.4	(2%)		
Application Management	\$8.0	Flat		
Technology Services & Cloud Platforms	\$35.3	1%	41.9%	(0.8) pts
Global Technology Services	\$30.8	2%	35.6%	(0.5) pts
Infrastructure Services	\$23.5	3%		
Technical Support Services	\$7.3	(1%)		
Integration Software	\$4.5	(1%)	84.7%	(1.6) pts
Systems	\$7.7	(19%)	55.7%	(0.1) pts
Systems Hardware	\$5.9	(22%)	45.9%	(0.8) pts
Operating Systems Software	\$1.8	(9%)	88.2%	(2.5) pts
Global Financing	\$1.7	(7%)	38.7%	(6.9) pts

Revenue growth rates @CC, \$ in billions

Supplemental Materials



Expense Summary – FY 2016

Expense Metrics	FY16	B/(W) Yr/Yr	Currency	Acq.*	Base
SG&A – Operating	\$20.3	(4%)	1 pts	(3 pts)	(1 pts)
RD&E – Operating	\$5.7	(10%)	1 pts	(7 pts)	(4 pts)
IP and Development Income	(\$1.6)	139%			
Other (Income)/Expense	\$0.1	NM			
Interest Expense	\$0.6	(34%)			
Operating Expense & Other Income	\$25.2	(6%)	(2 pts)	(4 pts)	0 pts

\$ in billions

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



Retirement-Related Summary

Key Assumptions and Metrics	2015	2016	2017
Funded Status at Year-end*			
US	101%	102%	
WW	97%	98%	
Discount Rate at Year-end			
US	4.0%	3.8%	
WW	3.3%	2.9%	
Expected ROA at Prior Year-end			
US	7.5%	7.0%	5.8%
WW	6.7%	6.4%	4.9%
Actual ROA			
US	(1.0%)	6.2%	
WW	(0.2%)	8.5%	

Cost and Contributions	2016	Expected 2017
Operating Cost	\$1.4	\$1.4
Non-operating Cost**	\$0.6	\$1.5
Total Cost	\$2.0	\$2.9
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Contributions***	\$2.4	\$2.5

\$ in billions

*Tax Qualified Defined Benefit Plans

** 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

***includes cash and non-cash contributions

Supplemental Materials



Non-GAAP Supplemental Materials

Reconciliation of Operating Earnings Per Share

	2017 Expectations
IBM GAAP EPS	at least \$11.95
IBM Operating EPS (Non-GAAP)	at least \$13.80
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Adjustments	
Acquisition Related Charges*	\$0.75
Non-Operating Retirement-Related Items	\$1.10

*Includes acquisitions through December 31, 2016

The above reconciles the Non-GAAP financial information contained in the "Summary" discussions in the company's earnings presentation. See Exhibit 99.2 included in the Company's Form 8-K dated January 19, 2017 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth - 4Q 2016

	4Q16 Yr/Yr	
	GAAP	@CC
Americas	0%	0%
Europe/ME/Africa	(8%)	(3%)
Asia Pacific	5%	1%
U.S.	2%	2%
Japan	8%	(2%)

The above reconciles the Non-GAAP financial information contained in the “Geographic Revenue” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 19, 2017 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth - 4Q & FY 2016

	4Q16 Yr/Yr		FY16 Yr/Yr	
	GAAP	@CC	GAAP	@CC
Strategic Imperatives	11%	12%	13%	14%
Analytics	9%	9%	9%	9%
Cloud	33%	33%	35%	35%
Mobile	16%	17%	34%	35%
Security	7%	8%	13%	14%
Social	(3%)	(3%)	(11%)	(10%)

The above reconciles the Non-GAAP financial information contained in the “A Cognitive Solutions & Cloud Platform Company” and “Strategic Imperatives Revenue” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 19, 2017 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth - 4Q 2016

	4Q16 Yr/Yr	
	GAAP	@CC
Cognitive Solutions	1%	2%
Solutions Software	4%	5%
Transaction Processing Software	(4%)	(4%)
Strategic Imperatives	6%	7%
Cloud	52%	53%
Global Business Services	(4%)	(4%)
Consulting	(5%)	(5%)
Global Process Services	(5%)	(4%)
Application Management	(3%)	(2%)
Strategic Imperatives	18%	19%
Cloud	78%	77%
Cognitive Solutions & Industry Svcs	(1%)	0%

	4Q16 Yr/Yr	
	GAAP	@CC
Tech Svcs & Cloud Platforms	2%	2%
Global Technology Services	2%	3%
Infrastructure Services	3%	3%
Technical Support Services	0%	0%
Integration Software	0%	1%
Strategic Imperatives	36%	37%
Cloud	48%	50%
Systems	(13%)	(12%)
Systems Hardware	(12%)	(12%)
z Systems	4%	4%
Power	(34%)	(34%)
Storage	(11%)	(10%)
Operating Systems Software	(13%)	(12%)
Strategic Imperatives	(19%)	(18%)
Cloud	(15%)	(15%)
Global Financing	(2%)	(2%)
Total Software	0%	1%

The above reconciles the Non-GAAP financial information contained in the “Segment Revenue & Gross Profit”, “Additional Revenue & Backlog Information”, “Cognitive Solutions Segment”, “Global Business Services Segment”, “Technology Services & Cloud Platforms Segment”, “Systems Segment” and “Software Revenue” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 19, 2017 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth - FY 2016

	FY16 Yr/Yr	
	GAAP	@CC
Cognitive Solutions	2%	3%
Solutions Software	5%	6%
Transaction Processing Software	(4%)	(3%)
Global Business Services	(3%)	(3%)
Consulting	(5%)	(5%)
Global Process Services	(3%)	(2%)
Application Management	(1%)	Flat
Technology Services & Cloud Platforms	1%	1%
Global Technology Services	1%	2%
Infrastructure Services	2%	3%
Technical Support Services	(2%)	(1%)
Integration Software	(3%)	(1%)
Systems	(19%)	(19%)
Systems Hardware	(22%)	(22%)
Operating Systems Software	(9%)	(9%)
Global Financing	(8%)	(7%)
Total Software	0%	1%

The above reconciles the Non-GAAP financial information contained in the “Segment Revenue & Gross Profit – FY 2016” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 19, 2017 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Expense Summary - 4Q 2016

	GAAP	Non-GAAP Adjustments	Operating (Non-GAAP)
SG&A			
Currency	1 pts	0 pts	1 pts
Acquisitions	(5 pts)	1 pts	(4 pts)
Base	7 pts	0 pts	7 pts
RD&E			
Currency	1 pts	0 pts	1 pts
Acquisitions	(6 pts)	0 pts	(6 pts)
Base	0 pts	0 pts	(1 pts)
Operating Expense & Other Income			
Currency	(1 pts)	0 pts	(1 pts)
Acquisitions	(5 pts)	1 pts	(4 pts)
Base	12 pts	0 pts	12 pts

The above reconciles the Non-GAAP financial information contained in the "Expense Summary" discussions in the company's earnings presentation. See Exhibit 99.2 included in the Company's Form 8-K dated January 19, 2017 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Expense Summary - FY 2016

	GAAP	Non-GAAP Adjustments	Operating (Non-GAAP)
SG&A			
Currency	1 pts	0 pts	1 pts
Acquisitions	(4 pts)	1 pts	(3 pts)
Base	1 pts	(2 pts)	(1 pts)
RD&E			
Currency	1 pts	0 pts	1 pts
Acquisitions	(7 pts)	0 pts	(7 pts)
Base	(4 pts)	0 pts	(4 pts)
Operating Expense & Other Income			
Currency	(2 pts)	0 pts	(2 pts)
Acquisitions	(5 pts)	1 pts	(4 pts)
Base	2 pts	(1 pts)	0 pts

The above reconciles the Non-GAAP financial information contained in the “Expense Summary – FY 2016” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 19, 2017 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Software Revenue Growth - 4Q 2016

	4Q16 Yr/Yr	
	GAAP	@CC
Transactional	(5%)	(4%)
Cognitive Solutions Annuity	4%	5%
Integration Software Annuity	2%	3%
Operating Systems Annuity	(8%)	(7%)

The above reconciles the Non-GAAP financial information contained in the “Software Revenue” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 19, 2017 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of GBS Strategic Imperatives (Analytics) Revenue Growth - 4Q 2016

	4Q16 Yr/Yr	
	GAAP	@CC
GBS Strategic Imperatives- Analytics Revenue	9%	10%

The above reconciles the Non-GAAP financial information contained in the "4Q16 Prepared Remarks" discussions in the company's earnings presentation. See Exhibit 99.2 included in the Company's Form 8-K dated January 19, 2017 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Debt-to-Capital Ratio

	Dec 2016	Dec 2015
Non-Global Financing Debt/Capital	50%	54%
IBM Consolidated Debt/Capital	70%	73%

The above reconciles the Non-GAAP financial information contained in the “Cash Flow and Balance Sheet Highlights” and “Balance Sheet Summary” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 19, 2017 for additional information on the use of these Non-GAAP financial measures.

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





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