

IBM 4Q 2017 Earnings

January 18, 2018

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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 18, 2018. 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/4q17.html>



Overview

4Q17	\$22.5B	\$ 5.18*	
FY17	\$79.1B	\$13.80*	\$13.0B
	<i>Revenue</i>	<i>Operating EPS</i>	<i>Free Cash Flow</i>

- Fourth-quarter 2017 revenue up 4%, up 1% at constant currency
 - Cloud and as-a-Service momentum
 - Strong Systems growth across IBM Z, Power, storage
 - Consulting growth, led by digital offerings
- Improved revenue and gross margin trajectory in second-half 2017
- Maintaining high investment levels while driving efficiency
- Strong cash flow performance

*Excludes one-time charge associated with the enactment of U.S. tax reform



A Cognitive Solutions & Cloud Platform Company

- Strategic Imperatives revenue up 11% in 2017, led by cloud (+24%) and security (+54%)
- Cloud revenue of \$17B in 2017 – public, private, hybrid
- Embedding cloud and AI capabilities to build new platforms and solutions, while reinventing existing ones
- Extending innovation leadership in key areas, including AI, cloud, security, blockchain, quantum

FY17

\$37B

*Strategic Imperatives
Revenue*

46%

*of IBM
Revenue*

Strategic Imperatives Revenue	4Q17	Yr/Yr
Total	\$11.1	14%
Analytics	\$6.1	6%
Cloud	\$5.5	27%
<i>aaS annual run rate</i>	<i>\$10.3</i>	<i>18%</i>
Mobile	\$1.3	21%
Security	\$1.5	127%
Social	\$0.2	(14%)

Revenue growth rates @CC, \$ in billions

Overlap in Strategic Imperatives revenue primarily reflects solutions delivered via cloud



Key Financial Metrics

P&L Highlights	4Q17	B/(W) Yr/Yr
Revenue	\$22.5	1%
Expense - Operating	\$6.0	(6%)
PTI - Operating	\$5.1	(5%)
NI - Operating*	\$4.8	1%
EPS - Operating*	\$5.18	3%

P&L Ratios (Operating)

GP Margin	49.5%	(1.4 pts)
Expense E/R	26.8%	(0.7 pts)
PTI Margin	22.7%	(2.1 pts)
Tax Rate*	6.1%	5.5 pts
NI Margin*	21.3%	(0.6 pts)

Cash Highlights	4Q17	FY
Free Cash Flow (excl. GF Receivables)	\$6.8	\$13.0
Share Repurchase (Gross)	\$0.7	\$4.3
Dividends	\$1.4	\$5.5
Cash Balance @ Dec 31	\$12.6	

- Gross margin up nearly two points sequentially
- Expense yr/yr increase driven by currency and lower level of IP income; E/R improved excluding these items
- Tax rate in the quarter reflects 12% underlying annual rate
- Strong free cash flow performance supports investments and shareholder returns

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

*Excludes one-time charge associated with the enactment of U.S. tax reform



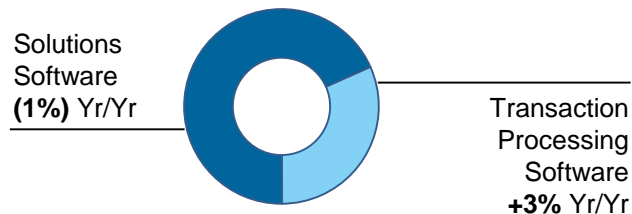
Cognitive Solutions Segment

Segment Results	4Q17	Yr/Yr
Revenue (External)	\$5.4	Flat
Gross Margin (External)	79.2%	(3.5 pts)
PTI	\$2.3	(1%)
PTI Margin	37.5%	(1.1 pts)

Highlights

- Solutions Software reflects:
 - growth in Watson solutions and security
 - weakness in a few traditional analytics offerings
- Transaction Processing Software growth reflects clients' long-term commitment to our platform
- Annuity content continues to grow, driven by SaaS
- Overall margin reflects mix and investment

Segment Revenue Elements



Strategic Imperatives Revenue within Cognitive Solutions	4Q17	Yr/Yr
Strategic Imperatives	\$3.5	(3%)
Cloud	\$0.7	6%
as-a-Service annual run rate	\$2.1	



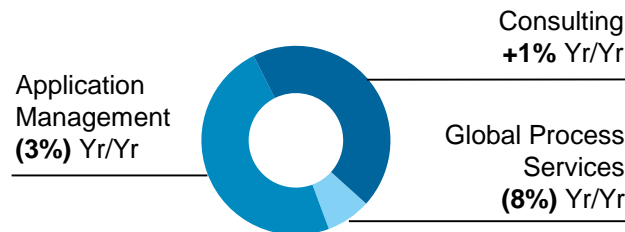
Global Business Services Segment

Segment Results	4Q17	Yr/Yr
Revenue (External)	\$4.2	(2%)
Gross Margin (External)	24.8%	(2.1 pts)
PTI	\$0.3	(36%)
PTI Margin	7.9%	(4.4 pts)

Highlights

- Second consecutive quarter of growth in Consulting, driven by digital offerings
- Application Management performance driven by traditional ERP managed services
- Gross margin reflects continued investment in skills and transformation, and an impact from currency

Segment Revenue Elements



Strategic Imperatives Revenue within Global Business Services	4Q17	Yr/Yr
Strategic Imperatives	\$2.6	7%
Cloud	\$1.1	17%
as-a-Service annual run rate	\$1.3	



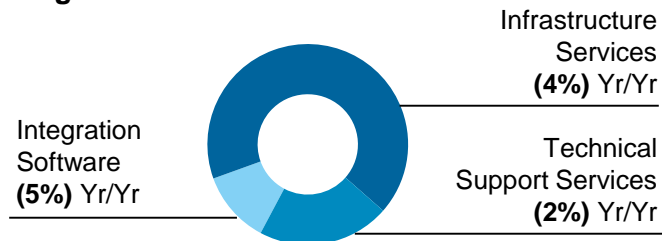
Technology Services and Cloud Platforms Segment

Segment Results	4Q17	Yr/Yr
Revenue (External)	\$9.2	(4%)
Gross Margin (External)	40.9%	(2.0 pts)
PTI	\$1.5	(23%)
PTI Margin	15.6%	(4.2 pts)

Highlights

- Infrastructure Services revenue trajectory reflects large contract dynamics in prior year
- Integration Software includes strong SaaS growth, declines in transactional revenue as consumption shifts to cloud
- Gross margin reflects continued investments in cloud platforms

Segment Revenue Elements



Strategic Imperatives Revenue within Technology Svcs & Cloud Platforms	4Q17	Yr/Yr
Strategic Imperatives	\$2.9	12%
Cloud	\$2.0	10%
as-a-Service annual run rate	\$6.9	



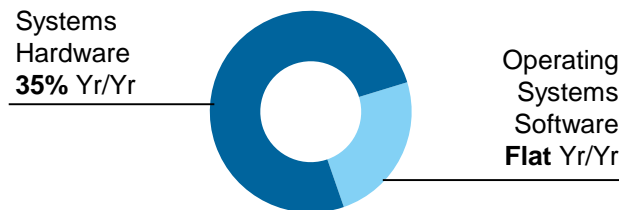
Systems Segment

Segment Results	4Q17	Yr/Yr
Revenue (External)	\$3.3	28%
Gross Margin (External)	55.7%	(1.2 pts)
PTI	\$0.9	57%
PTI Margin	25.9%	4.3 pts

Highlights

- Strong revenue performance with growth in all three brands
- IBM Z revenue up > 70% yr/yr driven by the new z14; highest MIPS shipped in history
- Power returns to growth; storage delivered four consecutive quarters of growth
- Gross margin decline consistent with product cycle dynamics

Segment Revenue Elements



Strategic Imperatives Revenue within Systems	4Q17	Yr/Yr
Strategic Imperatives	\$2.1	86%
Cloud	\$1.7	86%



Cash Flow and Balance Sheet Highlights

Cash Flow	4Q17	Yr/Yr	FY
Net Cash from Operations*	\$7.8	\$2.1	\$16.3
Free Cash Flow*	\$6.8	\$2.1	\$13.0
Selected Uses of Cash			
Net Capital Expenditures	\$1.0		\$3.3
Acquisitions	\$0.1		\$0.5
Dividends/Share Repurchase	\$2.1		\$9.8

- Free Cash Flow performance reflects strong receivables performance and efficient cap ex deployment
- Free Cash Flow realization 116% in 2017, adjusting for one-time tax charge
- Returned ~75% of free cash flow to shareholders

\$ in billions; Non-GF Debt/Capital not considered meaningful, will no longer be reported

*Excludes Global Financing receivables

Balance Sheet	Dec 17	Dec 16
Cash & Marketable Securities	\$12.6	\$8.5
<hr/>		
Total Debt	\$46.8	\$42.2
Global Financing Debt	\$31.4	\$27.9
Global Financing Leverage	9.0	7.3
Non-GF Debt	\$15.4	\$14.3
Non-GF Debt/Capital	52%	50%

- Positioned to support business over the longer term



Summary

- Entering 2018 with a stronger revenue profile
 - Strategic imperatives revenue now 46% of IBM's revenue, with double-digit growth in 2017
 - Leader in enterprise cloud with \$17B revenue; building scale in as-a-Service offerings
 - Backlog supports improving services revenue trajectory
 - Systems well positioned with strong momentum
 - Investing and shifting skills to address opportunities, while driving productivity across the business
- Expect revenue growth and margin stabilization in 2018





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Supplemental Materials

- Currency – Impact on Revenue Growth
- 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 2017
- Strategic Imperatives & Geographic Revenue – FY 2017
- Segment Revenue & Gross Profit – FY 2017
- Expense Summary – FY 2017
- Retirement–Related Summary
- Non-GAAP Supplemental Materials



Currency – Impact on Revenue Growth

Quarterly Averages per US \$	3Q17	Yr/Yr	4Q17	Yr/Yr	1/17/18 Spot	Yr/Yr @ 1/17/18 Spot				
						1Q18	2Q18	3Q18	4Q18	FY18
Euro	0.85	5%	0.85	8%	0.82	13%	10%	4%	4%	8%
Pound	0.76	(0%)	0.75	6%	0.72	10%	7%	5%	4%	7%
Yen	111	(8%)	113	(3%)	111	2%	0%	0%	2%	1%
Revenue Impact, Future @ 1/17/18 Spot		0.6 pts		2.7 pts		4-5 pts	3-4 pts	1-2 pts	1-2 pts	2-3 pts
with FX movements @ 1Std Deviation						+/- 2 pts	+/- 3 pts	+/- 4 pts	+/- 4 pts	+/- 3pts
IBM Revenue Impact @ 5 Yr Historical Average FX movements						~4 pts	~3 pts	1-2 pts	0-1 pts	~2 pts

	US\$B	Yr/Yr
Revenue As Reported	\$22.5	4%
Currency Impact	\$0.6	2.7 pts
Revenue @ CC	\$22.0	1%



Geographic Revenue

Geography Revenue	4Q17	Yr/Yr
Americas	\$10.8	4%
Europe/ME/Africa	\$7.2	(1%)
Asia Pacific	\$4.5	(2%)

- Americas reflects growth across the US (+3%), Canada and Latin America
- E/ME/A performance varied, with growth in France, Spain and Middle East/Africa, offset by declines in UK, Germany
- Asia Pacific includes strong growth in Japan (+4%), while China declined vs. difficult compare



Segment Revenue & Gross Profit

Segment Revenue & Gross Profit Metrics - 4Q17	4Q17 Revenue	Yr/Yr	4Q17 GP%	Yr/Yr
Cognitive Solutions*	\$5.4	Flat	79.2%	(3.5) pts
Solutions Software	\$3.8	(1%)		
Transaction Processing Software	\$1.6	3%		
Global Business Services	\$4.2	(2%)	24.8%	(2.1) pts
Consulting	\$1.9	1%		
Global Process Services	\$0.3	(8%)		
Application Management	\$2.0	(3%)		
Technology Services & Cloud Platforms	\$9.2	(4%)	40.9%	(2.0) pts
<i>Global Technology Services**</i>	<i>\$7.8</i>	<i>(4%)</i>	<i>33.5%</i>	<i>(1.8) pts</i>
Infrastructure Services	\$6.0	(4%)		
Technical Support Services	\$1.8	(2%)		
Integration Software*	\$1.4	(5%)	83.4%	(2.6) pts
Systems	\$3.3	28%	55.7%	(1.2) pts
Systems Hardware	\$2.9	35%	51.0%	0.7 pts
Operating Systems Software*	\$0.5	Flat	84.6%	(1.9) pts
Global Financing	\$0.5	(2%)	29.5%	(6.8) pts

Revenue growth rates @CC, \$ in billions

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

**Global Technology Services = Infrastructure Services + Technical Support Services

Supplemental Materials



Additional Revenue & Backlog Information

	4Q17	Yr/Yr
Systems Hardware Revenue	\$2.9	35%
IBM Z		71%
Power		15%
Storage		8%

	4Q17	Yr/Yr
Signings	\$13.7	(10%)
Services Backlog	\$121	(3%)
Currency Impact Year to Year		\$6
Currency Impact Quarter to Quarter	\$0	

Growth rates @CC, \$ in billions, Services Backlog calculated using December 31 currency spot rates



Expense Summary

Expense Metrics	4Q17	B/(W) Yr/Yr	Currency	Acq.*	Base**
SG&A – Operating	\$4.9	(2%)	(3 pts)	(1 pts)	1 pts
RD&E – Operating	\$1.4	3%	(2 pts)	(0 pts)	5 pts
IP and Custom Development Income	(\$0.3)	(33%)			
Other (Income)/Expense	(\$0.0)	NM			
Interest Expense	\$0.2	(4%)			
Operating Expense & Other Income	\$6.0	(6%)	(4 pts)	(0 pts)	(2 pts)

- Expense yr/yr increase driven by currency and lower level of IP income
- E/R improved excluding currency and IP Income; reflects continued efficiency, while maintaining investments in strategic areas

\$ in billions

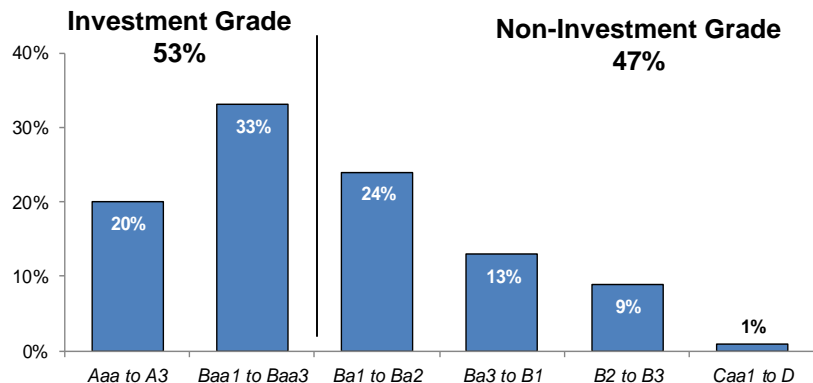
*includes acquisitions made in the last twelve months, net of non-operating acquisition-related charges

**represents the percentage change after excluding the impact of currency and acquisitions



Global Financing Portfolio

4Q17 – \$30.7B Net External Receivables



Global Financing Metrics	4Q17	3Q17	4Q16
Identified Loss Rate	0.8%	1.0%	1.2%
Anticipated Loss Rate	0.3%	0.4%	0.4%
Reserve Coverage	1.1%	1.3%	1.6%
Client Days Delinquent Outstanding	4.6	6.9	4.0
Commercial A/R > 30 days	\$27M	\$33M	\$22M



Balance Sheet Summary

	Dec 17	Dec 16
Cash & Marketable Securities	\$12.6	\$8.5
Non-GF Assets*	\$74.4	\$74.4
Global Financing Assets	\$38.4	\$34.6
Total Assets	\$125.4	\$117.5
Other Liabilities	\$60.8	\$56.9
Non-GF Debt*	\$15.4	\$14.3
Global Financing Debt	\$31.4	\$27.9
Total Debt	\$46.8	\$42.2
Total Liabilities	\$107.6	\$99.1
Equity	\$17.7	\$18.4
Non-GF Debt / Capital	52%	50%
Global Financing Leverage**	9.0	7.3

\$ in billions; Non-GF Debt/Capital not considered meaningful, will no longer be reported

*includes eliminations of inter-company activity

**Global Financing leverage reflects client and commercial financing entity established in 1Q17

Supplemental Materials



Cash Flow Summary

	QTD 4Q17	B/(W) Yr/Yr	YTD 4Q17	B/(W) Yr/Yr
Net Cash from Operations *	\$5.7	\$1.8	\$16.7	(\$0.4)
Less: Global Financing Receivables	(\$2.0)	(\$0.4)	\$0.4	(\$1.2)
Net Cash from Operations (excluding GF Receivables) *	\$7.8	\$2.1	\$16.3	\$0.9
Net Capital Expenditures	(\$1.0)	(\$0.0)	(\$3.3)	\$0.4
Free Cash Flow (excluding GF Receivables) *	\$6.8	\$2.1	\$13.0	\$1.3
Acquisitions	(\$0.1)	\$0.2	(\$0.5)	\$5.2
Divestitures	(\$0.2)	\$0.2	(\$0.2)	\$0.2
Dividends	(\$1.4)	(\$0.1)	(\$5.5)	(\$0.3)
Share Repurchases (Gross)	(\$0.7)	\$0.2	(\$4.3)	(\$0.8)
Non-GF Debt	(\$0.8)	\$1.2	\$1.1	(\$0.3)
Other (includes GF A/R & GF Debt) *	(\$2.6)	(\$1.4)	\$0.6	(\$1.7)
Change in Cash & Marketable Securities	\$1.1	\$2.5	\$4.1	\$3.7

\$ in billions

*Reclassified to reflect adoption of the FASB guidance on stock-based compensation

Supplemental Materials



Cash Flow (ASC 230)

	QTD 4Q17	QTD 4Q16	YTD 4Q17	YTD 4Q16
Net Income from Operations	(\$1.1)	\$4.5	\$5.8	\$11.9
Depreciation / Amortization of Intangibles	\$1.1	\$1.1	\$4.5	\$4.4
Stock-based Compensation	\$0.1	\$0.1	\$0.5	\$0.5
Working Capital / Other *	\$7.5	(\$0.1)	\$5.5	(\$1.4)
Global Financing A/R	(\$2.0)	(\$1.7)	\$0.4	\$1.7
Net Cash provided by Operating Activities *	\$5.7	\$4.0	\$16.7	\$17.1
Capital Expenditures, net of payments & proceeds	(\$1.0)	(\$0.9)	(\$3.3)	(\$3.7)
Divestitures, net of cash transferred	(\$0.2)	(\$0.5)	(\$0.2)	(\$0.5)
Acquisitions, net of cash acquired	(\$0.1)	(\$0.2)	(\$0.5)	(\$5.7)
Marketable Securities / Other Investments, net	(\$2.6)	(\$2.0)	(\$3.1)	(\$1.1)
Net Cash used in Investing Activities	(\$3.8)	(\$3.7)	(\$7.1)	(\$11.0)
Debt, net of payments & proceeds	\$1.1	\$0.9	\$3.4	\$2.8
Dividends	(\$1.4)	(\$1.3)	(\$5.5)	(\$5.3)
Common Stock Repurchases	(\$0.7)	(\$0.9)	(\$4.3)	(\$3.5)
Common Stock Transactions - Other *	(\$0.0)	\$0.0	(\$0.0)	\$0.1
Net Cash used in Financing Activities *	(\$0.9)	(\$1.3)	(\$6.4)	(\$5.9)
Effect of Exchange Rate changes on Cash	\$0.1	(\$0.2)	\$0.9	(\$0.1)
Net Change in Cash & Cash Equivalents	\$1.1	(\$1.2)	\$4.1	\$0.1

\$ in billions

*Reclassified to reflect adoption of the FASB guidance on stock-based compensation

Supplemental Materials



Key Financial Metrics – FY 2017

P&L Highlights	FY17	B/(W) Yr/Yr
Revenue	\$79.1	(1%)
Expense - Operating	\$23.6	6%
PTI - Operating	\$13.9	Flat
NI - Operating*	\$12.9	(1%)
EPS - Operating*	\$13.80	2%

P&L Ratios (Operating)

GP Margin	47.4%	(1.6 pts)
Expense E/R	29.8%	1.7 pts
PTI Margin	17.5%	0.1 pts
Tax Rate*	6.7%	(0.3 pts)
NI Margin*	16.3%	0.0 pts

Cash Highlights

	4Q17	FY
Free Cash Flow (excl. GF Receivables)	\$6.8	\$13.0
Share Repurchase (Gross)	\$0.7	\$4.3
Dividends	\$1.4	\$5.5
Cash Balance @ Dec 31	\$12.6	

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

*Excludes one-time charge associated with the enactment of U.S. tax reform

Supplemental Materials



Strategic Imperatives & Geographic Revenue – FY 2017

	FY17	Yr/Yr
Total Strategic Imperatives	\$36.5	11%
Analytics	\$20.6	6%
Cloud	\$17.0	24%
<i>aaS annual run rate</i>		
Mobile	\$4.8	19%
Security	\$3.2	54%
Social	\$0.9	(4%)

	FY17	Yr/Yr
Geography Revenue		
Americas	\$37.5	(1%)
Europe/ME/Africa	\$24.3	(3%)
Asia Pacific	\$17.0	(1%)

Revenue growth rates @CC, \$ in billions

Overlap in Strategic Imperatives revenue primarily reflects solutions delivered via cloud



Segment Revenue & Gross Profit – FY 2017

Segment Revenue & Gross Profit Metrics - FY17	Revenue	Yr/Yr	GP%	Yr/Yr
Cognitive Solutions	\$18.5	1%	78.6%	(3.2) pts
Solutions Software	\$12.8	1%		
Transaction Processing Software	\$5.6	Flat		
Global Business Services	\$16.3	(2%)	25.2%	(1.8) pts
Consulting	\$7.3	Flat		
Global Process Services	\$1.3	(9%)		
Application Management	\$7.8	(2%)		
Technology Services & Cloud Platforms	\$34.3	(3%)	40.4%	(1.5) pts
Global Technology Services	\$29.9	(3%)	34.3%	(1.3) pts
Infrastructure Services	\$22.7	(4%)		
Technical Support Services	\$7.2	(2%)		
Integration Software	\$4.4	(3%)	81.7%	(3.0) pts
Systems	\$8.2	5%	53.2%	(2.5) pts
Systems Hardware	\$6.5	9%	44.6%	(1.3) pts
Operating Systems Software	\$1.7	(5%)	86.4%	(1.8) pts
Global Financing	\$1.7	(1%)	29.3%	(9.4) pts

Revenue growth rates @CC, \$ in billions

Supplemental Materials



Expense Summary – FY 2017

Expense Metrics	FY17	B/(W) Yr/Yr	Currency	Acq.*	Base**
SG&A – Operating	\$19.1	6%	(0 pts)	(1 pts)	7 pts
RD&E – Operating	\$5.6	2%	(0 pts)	(1 pts)	4 pts
IP and Custom Development Income	(\$1.5)	(10%)			
Other (Income)/Expense	(\$0.3)	NM			
Interest Expense	\$0.6	2%			
Operating Expense & Other Income	\$23.6	6%	0 pts	(1 pts)	7 pts

\$ in billions

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

**represents the percentage change after excluding the impact of currency and acquisitions



Retirement-Related Summary

Key Assumptions and Metrics	2016	2017	2018
Funded Status at Year-end*			
US	102%	104%	
WW	98%	100%	
Discount Rate at Year-end			
US	3.8%	3.4%	
WW	2.9%	2.6%	
Expected ROA at Prior Year-end			
US	7.0%	5.8%	5.3%
WW	6.4%	4.9%	4.5%
Actual ROA			
US	6.2%	9.6%	
WW	8.5%	8.3%**	

\$ in billions

*Tax Qualified Defined Benefit Plans, **WW 2017 ROA Estimated

*** 2017 reclassified to conform with 2018 presentation (2017 under prior presentation: Operating \$1.4B, Non-operating \$1.5B)

**** Includes retirement-related interest cost, expected return on plan assets, recognized actuarial losses or gains, amortization of prior service costs or credits, amortization of transition assets, other settlements, curtailments, and insolvency insurance

*****includes cash and non-cash contributions

Cost and Contributions	2017***	Expected 2018
Operating Cost	\$1.5	\$1.5
Non-operating Cost****	\$1.3	\$1.7
Total Cost	\$2.9	\$3.2
<hr/>		
Contributions*****	\$2.4	\$2.4



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth - 4Q & FY 2017

	4Q17 Yr/Yr		FY17 Yr/Yr	
	GAAP	@CC	GAAP	@CC
Americas	5%	4%	0%	(1%)
Europe/ME/Africa	6%	(1%)	(2%)	(3%)
Asia Pacific	(2%)	(2%)	(2%)	(1%)
U.S.	3%	3%	(1%)	(1%)
Japan	1%	4%	(1%)	2%
Germany	1%	(8%)		
UK	2%	(4%)		

The above reconciles the Non-GAAP financial information contained in the “Geographic Revenue” and “Strategic Imperatives & Geographic Revenue –FY 2017” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 18, 2018 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth - 4Q & FY 2017

	4Q17 Yr/Yr		FY17 Yr/Yr	
	GAAP	@CC	GAAP	@CC
Strategic Imperatives	17%	14%	11%	11%
Analytics	9%	6%	6%	6%
Cloud	30%	27%	24%	24%
<i>aaS annual run rate</i>	20%	18%		
Mobile	23%	21%	19%	19%
Security	132%	127%	55%	54%
Social	(11%)	(14%)	(3%)	(4%)

The above reconciles the Non-GAAP financial information contained in the “A Cognitive Solutions & Cloud Platform Company” and “Strategic Imperatives & Geographic Revenue –FY 2017” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 18, 2018 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth - 4Q 2017

	4Q17 Yr/Yr	
	GAAP	@CC
Cognitive Solutions	3%	Flat
Solutions Software	1%	(1%)
Transaction Processing Software	6%	3%
Strategic Imperatives	Flat	(3%)
Cloud	8%	6%
Global Business Services	1%	(2%)
Consulting	3%	1%
Global Process Services	(7%)	(8%)
Application Management	Flat	(3%)
Strategic Imperatives	9%	7%
Cloud	19%	17%

	4Q17 Yr/Yr	
	GAAP	@CC
Tech Svcs & Cloud Platforms	(1%)	(4%)
Global Technology Services	(1%)	(4%)
Infrastructure Services	(1%)	(4%)
Technical Support Services	1%	(2%)
Integration Software	(2%)	(5%)
Strategic Imperatives	15%	12%
Cloud	13%	10%
Systems	32%	28%
Systems Hardware	38%	35%
IBM Z	75%	71%
Power	18%	15%
Storage	11%	8%
Operating Systems Software	2%	Flat
Strategic Imperatives	91%	86%
Cloud	90%	86%
Global Financing	1%	(2%)

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”, and “Systems Segment” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 18, 2018 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth - FY 2017

	FY17 Yr/Yr	
	GAAP	@CC
Cognitive Solutions	1%	1%
Solutions Software	2%	1%
Transaction Processing Software	1%	Flat
Global Business Services	(2%)	(2%)
Consulting	(1%)	Flat
Global Process Services	(9%)	(9%)
Application Management	(2%)	(2%)
Technology Services & Cloud Platforms	(3%)	(3%)
Global Technology Services	(3%)	(3%)
Infrastructure Services	(4%)	(4%)
Technical Support Services	(1%)	(2%)
Integration Software	(3%)	(3%)
Systems	6%	5%
Systems Hardware	10%	9%
Operating Systems Software	(5%)	(5%)
Global Financing	Flat	(1%)

The above reconciles the Non-GAAP financial information contained in the “Segment Revenue & Gross Profit – FY 2017” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 18, 2018 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Software Revenue Growth - 4Q 2017

	4Q17 Yr/Yr	
	GAAP	@CC
Solutions Software Annuity	5%	3%

The above reconciles the Non-GAAP financial information contained in the “4Q17 Prepared Remarks” discussion in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 18, 2018 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Expense Summary - 4Q 2017

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

The above reconciles the Non-GAAP financial information contained in the "Expense Summary" discussion in the company's earnings presentation. See Exhibit 99.2 included in the Company's Form 8-K dated January 18, 2018 for additional information on the use of these Non-GAAP financial measures.

*Represents the percentage change after excluding the impact of currency and acquisitions.

Supplemental Materials



Non-GAAP Supplemental Materials

Reconciliation of Expense Summary - FY 2017

	GAAP	Non-GAAP Adjustments	Operating (Non-GAAP)
SG&A			
Currency	0 pts	0 pts	0 pts
Acquisitions	(1 pts)	0 pts	(1 pts)
Base*	6 pts	1 pts	7 pts
RD&E			
Currency	0 pts	0 pts	0 pts
Acquisitions	(1 pts)	0 pts	(1 pts)
Base*	1 pts	3 pts	4 pts
Operating Expense & Other Income			
Currency	0 pts	0 pts	0 pts
Acquisitions	(1 pts)	0 pts	(1 pts)
Base*	6 pts	2 pts	7 pts

The above reconciles the Non-GAAP financial information contained in the “Expense Summary – FY 2017” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated January 18, 2018 for additional information on the use of these Non-GAAP financial measures.

*Represents the percentage change after excluding the impact of currency and acquisitions.



Non-GAAP Supplemental Materials

Reconciliation of Debt-to-Capital Ratio

	Dec 2017	Dec 2016
Non-Global Financing Debt/Capital	52%	50%
IBM Consolidated Debt/Capital	73%	70%

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 18, 2018 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 which increased to 9 to 1 beginning in the first quarter of 2017 from approximately 7 to 1 at December 31, 2016. 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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