IBM REPORTS 2013 THIRD-QUARTER RESULTS

o GAAP Results:
- **Diluted EPS: $3.68, up 11 percent;**
- **Net income: $4.0 billion, up 6 percent;**
- **Gross profit margin: 48.0 percent, up 0.6 points;**

o Operating (non-GAAP) Results:
- **Diluted EPS: $3.99, up 10 percent;**
- **Net income: $4.4 billion, up 6 percent;**
- **Gross profit margin: 49.1 percent, up 1.0 points;**

o Revenue:
$23.7 billion, down 4 percent, down 2 percent adjusting for currency:
- **Software revenue up 1 percent, up 2 percent adjusting for currency;**
  - **-- Key branded middleware up 3 percent; up 4 percent adjusting for currency;**
- **Services revenue down 3 percent, up 1 percent adjusting for currency;**
  - **-- Global Business Services revenue flat, up 5 percent adjusting for currency;**
- **Services backlog of $141 billion, up 2 percent, up 6 percent adjusting for currency;**
- **Systems and Technology revenue down 17 percent, down 16 percent adjusting for currency;**
  - **-- System z mainframe revenue up 6 percent; up 7 percent adjusting for currency;**
- **Growth markets revenue down 9 percent, down 5 percent adjusting for currency;**
- **Business analytics revenue up 8 percent year to date;**
- **Smarter Planet revenue up more than 20 percent year to date;**
- **Cloud revenue up more than 70 percent year to date;**
  - **-- Revenue in third-quarter exceeds $1 billion, of which about $460 million is delivered as a cloud service;**

o Maintaining full-year 2013 Operating (non-GAAP) EPS expectation of at least $16.25; at least $16.90, excluding second-quarter workforce rebalancing charge.

ARMONK, N.Y., October 16, 2013 . . . IBM (NYSE: IBM) today announced third-quarter 2013 diluted earnings of $3.68 per share, compared with diluted earnings of $3.33 per share in the third-quarter of 2012, an increase of 11 percent. Operating (non-GAAP) diluted earnings were $3.99 per share compared with operating diluted earnings of $3.62 per share in the third-quarter of 2012, an increase of 10 percent.

Third-quarter net income was $4.0 billion compared with $3.8 billion in the third-quarter of 2012, an increase of 6 percent. Operating (non-GAAP) net income was $4.4 billion, as compared with $4.2 billion in the third-quarter of 2012, an increase of 6 percent.

Total revenues for the third-quarter of 2013 of $23.7 billion were down 4 percent (down 2 percent, adjusting for currency) from the third-quarter of 2012.

“In the third-quarter we continued to expand operating margins and increased earnings per share, but fell short on revenue. Where we had identified high growth opportunities and pursued them aggressively --- cloud, mobile, business analytics, and security --- we continued to show strong growth. This underscores our strategy to continuously transform the company to high value,” said Ginni Rometty, IBM chairman, president and chief executive officer.

"We are taking action to improve execution in our growth markets unit and in the elements of our hardware businesses that are under performing. Given these actions, our strategic initiatives and the strength of our model, we are maintaining our view for the full year and remain confident in our ability to achieve at least $20 operating EPS in 2015."

Third-Quarter GAAP – Operating (non-GAAP) Reconciliation

Third-quarter operating (non-GAAP) diluted earnings exclude $0.31 per share of charges: $0.15 per share for the amortization of purchased intangible assets and other acquisition-related charges, and $0.16 per share for retirement-related charges driven by changes to plan assets and liabilities primarily related to market performance.

Full-Year 2013 Expectations

The company expects full-year 2013 GAAP diluted earnings per share of at least $15.01. Operating (non-GAAP) diluted earnings per share expectations remain at least $16.25; and at least $16.90, excluding the second-quarter workforce rebalancing charge of $1.0 billion. Operating (non-GAAP) diluted earnings expectations exclude $1.24 per share of charges for amortization of purchased intangible assets, other acquisition-related charges, and retirement-related charges.

Geographic Regions

The Americas' third-quarter revenues were $10.3 billion, a decrease of 1 percent (flat, adjusting for currency) from the 2012 period. Revenues from Europe/Middle East/Africa were up 1 percent to $7.3 billion (down 2 percent, adjusting for currency). Asia-Pacific revenues decreased 15 percent (down 4 percent, adjusting for currency) to $5.5 billion. OEM revenues were $534 million, down 1 percent (flat, adjusting for currency) compared with the 2012 third-quarter.

Growth Markets

Revenues from the company's growth markets were down 9 percent (down 5 percent, adjusting for currency). Revenues in the BRIC countries — Brazil, Russia, India and China — were down 15 percent (down 12 percent, adjusting for currency).

Services

Global Technology Services segment revenues decreased 4 percent (down 1 percent, adjusting for currency) to $9.5 billion. Global Business Services segment revenues were flat (up 5 percent, adjusting for currency) at $4.6 billion.

Pre-tax income from Global Technology Services increased 12 percent and pre-tax margin increased to 19.4 percent. Global Business Services pre-tax income increased 28 percent and pre-tax margin increased to 20.0 percent.

The estimated services backlog at September 30 was $141 billion, up 2 percent year over year at actual rates (up 6 percent, adjusting for currency).

Software

Revenues from the Software segment were $5.8 billion, up 1 percent (up 2 percent, adjusting for currency) compared with the third-quarter of 2012. Software pre-tax income increased 2 percent and pre-tax margin increased to 36.8 percent.

Revenues from IBM's key middleware products, which include WebSphere, Information Management, Tivoli, Social Workforce Solutions and Rational products, were $3.7 billion, up 3 percent (up 4 percent, adjusting for currency) versus the third-quarter of 2012. Operating systems revenues of $576 million were down 4 percent (down 2 percent, adjusting for currency) compared with the prior-year quarter.

Revenues from the WebSphere family of software products were flat year over year. Information Management software revenues increased 2 percent. Revenues from Tivoli software increased 2 percent. Revenues from Social Workforce Solutions increased 14 percent, and Rational software increased 12 percent.

Hardware

Revenues from the Systems and Technology segment totaled $3.2 billion for the quarter, down 17 percent (down 16 percent, adjusting for currency) from the third-quarter of 2012. Systems and Technology pre-tax income decreased $291 million to a loss of $167 million.

Total systems revenues decreased 19 percent (down 18 percent, adjusting for currency). Revenues from Power Systems were down 38 percent compared with the 2012 period. Revenues from System x were down 18 percent. Revenues from System z mainframe server products increased 6 percent compared with the year-ago period. Total delivery of System z computing power, as measured in MIPS (millions of instructions per second), increased 56 percent. Revenues from System Storage decreased 11 percent. Revenues from Microelectronics OEM increased 1 percent.

Financing

Global Financing segment revenues increased 6 percent (up 9 percent, adjusting for currency) in the third-quarter at $502 million. Pre-tax income for the segment increased 4 percent to $494 million.

Gross Profit

The company's total gross profit margin was 48.0 percent in the 2013 third-quarter compared with 47.4 percent in the 2012 third-quarter period. Total operating (non-GAAP) gross profit margin was 49.1 percent in the 2013 third-quarter compared with 48.1 percent in the 2012 third-quarter period, with increases in Global Technology Services, Global Business Services and Global Financing.

Expense

Total expense and other income decreased 1 percent to $6.6 billion compared with the prior year period. S,G&A expense of $5.3 billion decreased 11 percent year over year, including the prior year third-quarter workforce rebalancing charge of $408 million. R,D&E expense of $1.5 billion decreased 4 percent compared with the year-ago period. Intellectual property and custom development income decreased to $191 million compared with $303 million a year ago. Other (income) and expense was income of $62 million compared with prior-year income of $606 million, which included a $447 million gain from the divestiture of Retail Store Solutions. Interest expense decreased to $97 million compared with $124 million in the prior year.

Total operating (non-GAAP) expense and other income was flat at $6.4 billion compared with the prior-year period. Operating (non-GAAP) S,G&A expense decreased 10 percent to $5.1 billion compared with the prior-year period. Operating (non-GAAP) R,D&E expense of $1.5 billion was down 6 percent compared with the year-ago period.

Pre-Tax Income

Pre-tax income decreased 5 percent to $4.8 billion and pre-tax margin of 20.3 percent was down 0.2 points compared with the prior-year period. Operating (non-GAAP) pre-tax income decreased 4 percent to $5.3 billion and pre-tax margin was flat compared to the year-ago period.

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IBM's tax rate was 16.0 percent, down 8.6 points year over year; operating (non-GAAP) tax rate was 17.0 percent, down 7.7 points compared to the year-ago period. The change in the third-quarter tax rate reflects a decrease to 23 percent in the ongoing effective tax rate for the full-year, discrete benefits associated with foreign tax audits and the third-quarter 2012 tax charge related to the divestiture of Retail Store Solutions.

Net income margin increased 1.6 points to 17.0 percent. Total operating (non-GAAP) net income margin increased 1.7 points to 18.5 percent.

The weighted-average number of diluted common shares outstanding in the

third-quarter 2013 was 1.10 billion compared with 1.15 billion shares in the same period of 2012. As of September 30, 2013, there were 1.09 billion basic common shares outstanding.

Debt, including Global Financing, totaled $36.2 billion, compared with $33.3 billion at year-end 2012. From a management segment view, Global Financing debt totaled $25.8 billion versus $24.5 billion at year-end 2012, resulting in a debt-to-equity ratio of 7.1 to 1. Non-global financing debt totaled $10.4 billion, an increase of $1.6 billion since year-end 2012, resulting in a debt-to-capitalization ratio of 38.7 percent from 36.1 percent. On a year-over-year basis, debt increased $2.5 billion, primarily driven by Global Financing debt.

IBM ended the third-quarter 2013 with $10.2 billion of cash on hand and generated free cash flow of $2.2 billion, excluding Global Financing receivables, down approximately $0.9 billion year over year. The company returned $3.0 billion to shareholders through $1.0 billion in dividends and $1.9 billion of gross share repurchases.

Year-To-Date 2013 Results

Net income for the nine months ended September 30, 2013 was $10.3 billion compared with $10.8 billion in the year-ago period, a decrease of 4 percent. Diluted earnings per share were $9.27, flat compared to the 2012 period. Revenues for the nine-month period totaled $72.1 billion, a decrease of 4 percent (down 2 percent, adjusting for currency) compared with $75.2 billion for the nine months of 2012.

Operating (non-GAAP) net income for the nine months ended September 30, 2013 was $11.3 billion compared with $11.5 billion in the year-ago period, a decrease of 1.4 percent. Operating (non-GAAP) diluted earnings per share were $10.21 compared with $9.90 per diluted share for the 2012 period, an increase of 3 percent. Operating (non-GAAP) diluted earnings per share, excluding the impact of second-quarter workforce rebalancing charges, were $10.91.

Forward-Looking and Cautionary Statements

Except for the historical information and discussions contained herein, statements contained in this release may constitute forward-looking statements within the meaning of 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. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including the following: a downturn in economic environment and corporate IT spending budgets; the company’s failure to meet growth and productivity objectives; a failure of the company’s innovation initiatives; risks from investing in growth opportunities; failure of the company’s intellectual property portfolio to prevent competitive offerings and the failure of the company to obtain necessary licenses; cybersecurity and data privacy considerations; fluctuations in financial results and purchases, impact of local legal, economic, political and health conditions; adverse effects from environmental matters, tax matters and the company’s pension plans; ineffective internal controls; the company’s use of accounting estimates; the company’s ability to attract and retain key personnel and its reliance on critical skills; impacts of relationships with critical suppliers and business with government clients; currency fluctuations and customer financing risks; impact of changes in market liquidity conditions and customer credit risk on receivables; reliance on third party distribution channels; the company’s ability to successfully manage acquisitions and alliances; risk factors related to IBM securities; and other risks, uncertainties and factors discussed in the company’s Form 10-Qs, Form 10-K and in the company’s other filings with the U.S. Securities and Exchange Commission (SEC) or in materials incorporated therein by reference. Any forward-looking statement in this release speaks only as of the date on which it is made. The company assumes no obligation to update or revise any forward-looking statements.

Presentation of Information in this Press Release

In an effort to provide investors with additional information regarding the company's results as determined by generally accepted accounting principles (GAAP), the company has also disclosed in this press release the following non-GAAP information which management believes provides useful information to investors:

IBM results and expectations --

- presenting operating (non-GAAP) earnings per share amounts and related income statement items;
- presenting non-global financing debt-to-capitalization ratio;
- adjusting for free cash flow;
- adjusting for currency (i.e., at constant currency);
- adjusting for workforce rebalancing.

The rationale for management's use of non-GAAP measures is included as part of the supplemental materials presented within the third-quarter earnings materials. These materials are available on the IBM investor relations Web site at www.ibm.com/investor and are being included in Attachment II ("Non-GAAP Supplemental Materials") to the Form 8-K that includes this press release and is being submitted today to the SEC.

Conference Call and Webcast

IBM's regular quarterly earnings conference call is scheduled to begin at 4:30 p.m. EDT, today. The Webcast may be accessed via a link at http://www.ibm.com/investor/events/3q13.phtml. Presentation charts will be available shortly before the Webcast.

Financial Results Below (certain amounts may not add due to use of rounded numbers; percentages presented are calculated from the underlying whole-dollar amounts).

INTERNATIONAL BUSINESS MACHINES CORPORATION
COMPARATIVE FINANCIAL RESULTS
(Unaudited; Dollars in millions except per share amounts)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	**2012**	**Percent Change**	**2013**	**2012**	**Percent Change**
REVENUE						
Global Technology Services	$9,494	$9,922	-4.3%	$28,634	$29,952	-4.4%
Gross profit margin	39.0%	37.3%		37.9%	36.3%	
Global Business Services	4,558	4,542	0.4%	13,649	13,846	-1.4%
Gross profit margin	32.9%	31.2%		30.9%	30.0%	
Software	5,798	5,763	0.6%	17,792	17,533	1.5%
Gross profit margin	88.0%	88.0%		88.0%	87.8%	
Systems and Technology	3,247	3,895	-16.6%	10,111	11,903	-15.1%
Gross profit margin	33.6%	37.3%		34.4%	36.7%	
Global Financing	502	472	6.5%	1,488	1,478	0.7%
Gross profit margin	47.2%	45.8%		46.4%	47.5%	
Other	122	154	-20.8%	378	490	-22.8%
Gross profit margin	-211.6%	-80.4%		-185.3%	-71.3%	
TOTAL REVENUE	23,720	24,747	-4.1%	72,052	75,203	-4.2%
GROSS PROFIT	11,380	11,732	-3.0%	34,189	35,131	-2.7%
Gross profit margin	48.0%	47.4%		47.5%	46.7%	
EXPENSE AND OTHER INCOME						
S,G&A	5,255	5,908	-11.0%	17,512	17,632	-0.7%
Expense to revenue	22.2%	23.9%		24.3%	23.4%	
R,D&E	1,468	1,534	-4.3%	4,661	4,722	-1.3%
Expense to revenue	6.2%	6.2%		6.5%	6.3%	
Intellectual property and custom development income	(191)	(303)	-36.8%	(621)	(847)	-26.7%
Other (income) and expense	(62)	(606)	-89.7%	(214)	(796)	-73.2%
Interest expense	97	124	-21.5%	289	350	-17.5%
TOTAL EXPENSE AND OTHER INCOME	6,567	6,657	-1.4%	21,627	21,060	2.7%
Expense to revenue	27.7%	26.9%		30.0%	28.0%	
INCOME BEFORE INCOME TAXES	4,812	5,074	-5.2%	12,562	14,071	-10.7%
Pre-tax margin	20.3%	20.5%		17.4%	18.7%	

Provision for income taxes	772	1,251	-38.3%	2,263	3,300	-31.4%
Effective tax rate	16.0%	24.6%		18.0%	23.5%	
NET INCOME	$4,041	$3,824	5.7%	$10,299	$10,771	-4.4%
	======	======		======	======	
Net income margin	17.0%	15.5%		14.3%	14.3%	
EARNINGS PER SHARE OF COMMON STOCK:						
ASSUMING DILUTION	$3.68	$3.33	10.5%	$9.27	$9.27	0.0%
BASIC	$3.70	$3.36	10.1%	$9.35	$9.38	-0.3%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUT-STANDING (M's):						
ASSUMING DILUTION	1,098.8	1,149.3		1,110.7	1,161.8	
BASIC	1,090.9	1,137.2		1,101.8	1,148.4	

INTERNATIONAL BUSINESS MACHINES CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

(Dollars in Millions)	At September 30, 2013	At December 31, 2012
ASSETS:		
Current Assets:		
Cash and cash equivalents	$10,072	$10,412
Marketable securities	160	717
Notes and accounts receivable - trade (net of allowances of $273 in 2013 and $255 in 2012)	9,865	10,667
Short-term financing receivables (net of allowances of $280 in 2013 and $288 in 2012)	16,786	18,038
Other accounts receivable (net of allowances of $29 in 2013 and $17 in 2012)	1,683	1,873
Inventories, at lower of average cost or market:		
Finished goods	528	475
Work in process and raw materials	1,964	1,812
Total inventories	2,492	2,287
Deferred taxes	1,752	1,415
Prepaid expenses and other current assets	4,723	4,024
Total Current Assets	**47,533**	**49,433**
Property, plant and equipment	40,808	40,501
Less: Accumulated depreciation	26,931	26,505
Property, plant and equipment - net	13,877	13,996
Long-term financing receivables (net of allowances of $72 in 2013 and $66 in 2012)	11,675	12,812
Prepaid pension assets	1,476	945
Deferred taxes	3,682	3,973
Goodwill	30,882	29,247
Intangible assets - net	4,003	3,787
Investments and sundry assets	4,718	5,021
Total Assets	**$117,845**	**$119,213**
LIABILITIES:		
Current Liabilities:		
Taxes	$4,746	$4,948
Short-term debt	7,702	9,181
Accounts payable	6,263	7,952
Compensation and benefits	4,210	4,745
Deferred income	11,658	11,952
Other accrued expenses and liabilities	4,643	4,847
Total Current Liabilities	**39,222**	**43,625**
Long-term debt	28,478	24,088
Retirement and nonpension postretirement		

benefit obligations	17,994	20,418
Deferred income	4,087	4,491
Other liabilities	8,057	7,607
Total Liabilities	**97,837**	**100,229**
EQUITY:		
IBM Stockholders' Equity:		
Common stock	51,203	50,110
Retained earnings	124,885	117,641
Treasury stock -- at cost	(131,240)	(123,131)
Accumulated other comprehensive income/(loss)	(24,971)	(25,759)
Total IBM stockholders' equity	**19,877**	**18,860**
Noncontrolling interests	131	124
Total Equity	**20,008**	**18,984**
Total Liabilities and Equity	**$117,845**	**$119,213**

INTERNATIONAL BUSINESS MACHINES CORPORATION
CASH FLOW ANALYSIS
(Unaudited)

(Dollars in Millions)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net Cash from Operating Activities per GAAP:	**$3,760**	**$4,514**	**$10,957**	**$13,240**
Less: the change in Global Financing (GF) Receivables	481	327	1,628	1,245
Net Cash from Operating Activities (Excluding GF Receivables)	**3,279**	**4,187**	**9,329**	**11,995**
Capital Expenditures, Net	(1,041)	(1,046)	(2,709)	(3,326)
Free Cash Flow (Excluding GF Receivables)	**2,238**	**3,141**	**6,620**	**8,670**
Acquisitions	(2,382)	(342)	(2,562)	(2,266)
Divestitures	235	573	247	587
Dividends	(1,037)	(968)	(3,033)	(2,816)
Share Repurchase	(1,917)	(2,986)	(8,062)	(8,988)
Non-GF Debt	1,351	694	1,556	2,284
Other (includes GF Receivables, and GF Debt)	1,388	954	4,337	2,861
Change in Cash, Cash Equivalents and Short-term Marketable Securities	**($125)**	**$1,067**	**($897)**	**$331**

INTERNATIONAL BUSINESS MACHINES CORPORATION
SEGMENT DATA
(Unaudited)

(Dollars in Millions)	THIRD-QUARTER 2013				
	Revenue External	Revenue Internal	Revenue Total	Pre-tax Income/ (Loss)	Pre-tax Margin
SEGMENTS					
Global Technology Services	$9,494	$262	$9,755	$1,895	19.4%
Y-T-Y change	-4.3%	-8.0%	-4.4%	11.7%	
Global Business Services	4,558	177	4,735	948	20.0%
Y-T-Y change	0.4%	0.9%	0.4%	28.4%	
Software	5,798	744	6,542	2,410	36.8%
Y-T-Y change	0.6%	-11.8%	-1.0%	2.3%	
Systems and Technology	3,247	168	3,415	(167)	-4.9%
Y-T-Y change	-16.6%	-7.3%	-16.2%	NM	
Global Financing	502	512	1,015	494	48.7%
Y-T-Y change	6.5%	4.2%	5.3%	3.8%	
TOTAL REPORTABLE SEGMENTS	**$23,599**	**$1,863**	**$25,461**	**$5,579**	**21.9%**
Y-T-Y change	**-4.0%**	**-5.7%**	**-4.2%**	**3.5%**	
Eliminations / Other	122	(1,863)	(1,741)	(766)	
TOTAL IBM CONSOLIDATED	**$23,720**	**$0**	**$23,720**	**$4,812**	**20.3%**
Y-T-Y change	**-4.1%**		**-4.1%**	**-5.2%**	

NM - Not Meaningful

(Dollars in Millions)	THIRD-QUARTER 2012				
	Revenue External	Revenue Internal	Revenue Total	Pre-tax Income/ (Loss)	Pre-tax Margin
SEGMENTS					
Global Technology Services	$9,922	$285	$10,206	$1,697	16.6%
Global Business Services	4,542	175	4,717	738	15.6%
Software	5,763	843	6,606	2,355	35.6%
Systems and Technology	3,895	181	4,076	124	3.0%
Global Financing	472	491	963	476	49.4%
TOTAL REPORTABLE SEGMENTS	**$24,594**	**$1,976**	**$26,570**	**$5,389**	**20.3%**

Eliminations / Other	154	(1,976)	(1,822)	(315)	
TOTAL IBM CONSOLIDATED	**$24,747**	**$0**	**$24,747**	**$5,074**	**20.5%**

INTERNATIONAL BUSINESS MACHINES CORPORATION
SEGMENT DATA
(Unaudited)

(Dollars in Millions)	NINE-MONTHS 2013 External	Revenue Internal	Revenue Total	Pre-tax Income/ (Loss)	Pre-tax Margin
SEGMENTS					
Global Technology Services	$28,634	$801	$29,435	$4,994	17.0%
Y-T-Y change	-4.4%	-7.7%	-4.5%	1.2%	
Global Business Services	13,649	545	14,194	2,274	16.0%
Y-T-Y change	-1.4%	1.3%	-1.3%	6.1%	
Software	17,792	2,312	20,105	6,867	34.2%
Y-T-Y change	1.5%	-6.0%	0.6%	1.1%	
Systems and Technology	10,111	423	10,533	(713)	-6.8%
Y-T-Y change	-15.1%	-13.9%	-15.0%	NM	
Global Financing	1,488	1,628	3,116	1,582	50.8%
Y-T-Y change	0.7%	9.1%	4.9%	4.4%	
TOTAL REPORTABLE SEGMENTS	**$71,674**	**$5,710**	**$77,383**	**$15,003**	**19.4%**
Y-T-Y change	**-4.1%**	**-2.4%**	**-3.9%**	**-4.1%**	
Eliminations / Other	378	(5,710)	(5,331)	(2,441)	
TOTAL IBM CONSOLIDATED	**$72,052**	**$0**	**$72,052**	**$12,562**	**17.4%**
Y-T-Y change	**-4.2%**		**-4.2%**	**-10.7%**	

NM - Not Meaningful

(Dollars in Millions)	NINE-MONTHS 2012 External	Revenue Internal	Revenue Total	Pre-tax Income/ (Loss)	Pre-tax Margin
SEGMENTS					
Global Technology Services	$29,952	$869	$30,821	$4,934	16.0%
Global Business Services	13,846	538	14,384	2,142	14.9%
Software	17,533	2,459	19,992	6,793	34.0%
Systems and Technology	11,903	491	12,394	253	2.0%
Global Financing	1,478	1,492	2,970	1,516	51.0%
TOTAL REPORTABLE SEGMENTS	**$74,713**	**$5,848**	**$80,561**	**$15,637**	**19.4%**

Eliminations / Other	490	(5,848)	(5,358)	(1,566)	
TOTAL IBM CONSOLIDATED	**$75,203**	**$0**	**$75,203**	**$14,071**	**18.7%**

INTERNATIONAL BUSINESS MACHINES CORPORATION
U.S. GAAP TO OPERATING RESULTS RECONCILIATION
(Unaudited; Dollars in millions except per share amounts)

	THIRD-QUARTER 2013			
	GAAP	Acquisition-Related Adjustments*	Retirement-Related Adjustments**	Operating (Non-GAAP)
Gross Profit	$11,380	$102	$154	$11,636
Gross Profit Margin	48.0%	0.4Pts	0.6Pts	49.1%
S,G&A	5,255	(111)	(89)	5,055
R,D&E	1,468	0	(14)	1,454
Other (Income) & Expense	(62)	(1)	0	(63)
Total Expense & Other (Income)	6,567	(112)	(103)	6,352
Pre-Tax Income	4,812	214	257	5,284
Pre-Tax Income Margin	20.3%	0.9Pts	1.1Pts	22.3%
Provision for Income Taxes* **	772	48	77	897
Effective Tax Rate	16.0%	0.3Pts	0.7Pts	17.0%
Net Income	4,041	166	181	4,387
Net Income Margin	17.0%	0.7Pts	0.8Pts	18.5%
Diluted Earnings Per Share	$3.68	$0.15	$0.16	$3.99

	THIRD-QUARTER 2012			
	GAAP	Acquisition-Related Adjustments*	Retirement-Related Adjustments**	Operating (Non-GAAP)
Gross Profit	$11,732	$95	$67	$11,894
Gross Profit Margin	47.4%	0.4Pts	0.3Pts	48.1%
S,G&A	5,908	(88)	(196)	5,625
R,D&E	1,534	0	5	1,539
Other (Income) & Expense	(606)	(5)	0	(611)
Total Expense & Other (Income)	6,657	(92)	(191)	6,374
Pre-Tax Income	5,074	188	258	5,520

Pre-Tax Income Margin	20.5%	0.8Pts	1.0Pts	22.3%
Provision for Income Taxes* **	1,251	47	67	1,364
Effective Tax Rate	24.6%	0.0Pts	0.1Pts	24.7%
Net Income	3,824	141	191	4,155
Net Income Margin	15.5%	0.6Pts	0.8Pts	16.8%
Diluted Earnings Per Share	$3.33	$0.12	$0.17	$3.62

* Includes amortization of acquired intangible assets and other acquisition-related charges.
** Includes retirement-related items driven by changes to plan assets and liabilities primarily related to market performance.
*** Tax impact on operating (non-GAAP) pre-tax income is calculated under the same accounting principles applied to the GAAP pre-tax income which employs an annual effective tax rate method to the results.

INTERNATIONAL BUSINESS MACHINES CORPORATION
U.S. GAAP TO OPERATING RESULTS RECONCILIATION
(Unaudited; Dollars in millions except per share amounts)

	NINE-MONTHS 2013			
	GAAP	Acquisition-Related Adjustments*	Retirement-Related Adjustments**	Operating (Non-GAAP)
Gross Profit	$34,189	$289	$474	$34,953
Gross Profit Margin	47.5%	0.4Pts	0.7Pts	48.5%
S,G&A	17,512	(294)	(286)	16,933
R,D&E	4,661	0	(43)	4,618
Other (Income) & Expense	(214)	(8)	0	(222)
Total Expense & Other (Income)	21,627	(302)	(329)	20,997
Pre-Tax Income	12,562	590	803	13,956
Pre-Tax Income Margin	17.4%	0.8Pts	1.1Pts	19.4%
Provision for Income Taxes* **	2,263	112	239	2,614
Effective Tax Rate	18.0%	0.0Pts	0.7Pts	18.7%
Net Income	10,299	479	564	11,342
Net Income Margin	14.3%	0.7Pts	0.8Pts	15.7%
Diluted Earnings Per Share	$9.27	$0.43	$0.51	$10.21

	NINE-MONTHS 2012			
	GAAP	Acquisition-Related Adjustments*	Retirement-Related Adjustments**	Operating (Non-GAAP)
Gross Profit	$35,131	$276	$204	$35,611
Gross Profit Margin	46.7%	0.4Pts	0.3Pts	47.4%
S,G&A	17,632	(258)	(265)	17,108
R,D&E	4,722	0	14	4,736
Other (Income) & Expense	(796)	(7)	0	(803)
Total Expense & Other (Income)	21,060	(265)	(251)	20,545

Pre-Tax Income	14,071	541	454	15,067
Pre-Tax Income Margin	18.7%	0.7Pts	0.6Pts	20.0%
Provision for Income Taxes* **	3,300	143	127	3,569
Effective Tax Rate	23.5%	0.1Pts	0.1Pts	23.7%
Net Income	10,771	399	328	11,498
Net Income Margin	14.3%	0.5Pts	0.4Pts	15.3%
Diluted Earnings Per Share	$9.27	$0.34	$0.28	$9.90

* Includes amortization of acquired intangible assets and other acquisition-related charges.
** Includes retirement-related items driven by changes to plan assets and liabilities primarily related to market performance.
*** Tax impact on operating (non-GAAP) pre-tax income is calculated under the same accounting principles applied to the GAAP pre-tax income which employs an annual effective tax rate method to the results.

Contact: IBM
Mike Fay, 914-525-8476
mikefay@us.ibm.com

John Bukovinsky, 732-618-3531
jbuko@us.ibm.com