IBM REPORTS 2013 FOURTH-QUARTER AND FULL-YEAR RESULTS

Fourth-Quarter 2013:

- **Diluted EPS:**
  - **GAAP: $5.73, up 12 percent;**
  - **Operating (non-GAAP): $6.13, up 14 percent;**
- **Net income:**
  - **GAAP: $6.2 billion, up 6 percent;**
  - **Operating (non-GAAP): $6.6 billion, up 8 percent;**
- **Pre-tax income:**
  - **GAAP: $7.0 billion, down 11 percent;**
  - **Operating (non-GAAP): $7.4 billion, down 8 percent;**
- **Gross profit margin:**
  - **GAAP: 51.7 percent, down 0.1 points;**
  - **Operating (non-GAAP): 52.6 percent, up 0.3 points;**
- **Revenue of $27.7 billion, down 5 percent, down 3 percent adjusting for currency;**
  - **Software, Services and Global Financing each grew, adjusting for currency:**
    - **Software up 3 percent, up 4 percent adjusting for currency;**
    - **Services down 2 percent, up 1 percent adjusting for currency;**
    - **Global Financing revenue flat, up 3 percent adjusting for currency;**
  - **Systems and Technology revenue declined 26 percent, down 25 percent adjusting for currency;**
- **Services backlog of $143 billion, up 2 percent, up 5 percent adjusting for currency;**
- **Free cash flow of $8.4 billion.**

Full-Year 2013:

- **Diluted EPS:**
  - **GAAP: $14.94, up 4 percent;**
  - **Operating (non-GAAP): $16.28, up 7 percent;**
  - **Operating (non-GAAP)excluding second-quarter workforce rebalancing charges, $16.99;**
- **Net income:**
  - **GAAP: $16.5 billion, down 1 percent;**
  - **Operating (non-GAAP): $18.0 billion, up 2 percent;**
- **Pre-tax income:**
  - **Software, Services and Global Financing each increased segment profit:**
    - **Software: $11.1 billion, up approximately $300 million;**
    - **Services: $10.2 billion, up more than $250 million;**
    - **Global Financing: $2.2 billion, up more than $100 million;**
  - **Systems and Technology segment profit declined $1.7 billion, to a loss of more than $500 million;**
- **Revenue of $99.8 billion, down 5 percent, down 2 percent adjusting for currency;**
- **Business Analytics revenue of $15.7 billion, up 9 percent;**
- **Smarter Planet revenue up approximately 20 percent;**
- **Cloud revenue of $4.4 billion, up 69 percent:**
  - **Fourth-quarter annual revenue run rate of more than $2 billion delivered as a service;**
- **Free cash flow of $15.0 billion.**

Full-Year 2014 Expectation:

- **GAAP EPS of at least $17.00. Operating (non-GAAP) EPS of at least $18.00 compared with $16.28 for 2013, an increase of more than 10 percent.**

ARMONK, N.Y., January 21, 2014 . . . IBM (NYSE: IBM) today announced fourth-quarter 2013 diluted earnings of $5.73 per share, compared with diluted earnings of $5.13 per share in the fourth quarter of 2012, an increase of 12 percent. Operating

(non-GAAP) diluted earnings were $6.13 per share, compared with operating diluted earnings of $5.39 per share in the fourth quarter of 2012, an increase of 14 percent.

Fourth-quarter net income, which includes benefits from tax audit settlements, was $6.2 billion compared with $5.8 billion in the fourth quarter of 2012, an increase of 6 percent. Operating (non-GAAP) net income was $6.6 billion compared with $6.1 billion in the fourth quarter of 2012, an increase of 8 percent.

Total revenues for the fourth quarter of 2013 of $27.7 billion decreased 5 percent (down 3 percent adjusting for currency) from the fourth quarter of 2012.

"We continued to drive strong results across much of our portfolio and again grew earnings per share in 2013. While we made solid progress in businesses that are powering our future, in view of the company's overall full year results, my senior team and I have recommended that we forgo our personal annual incentive payments for 2013," said Ginni Rometty, IBM chairman, president and chief executive officer.

"As we enter 2014, we will continue to transform our business and invest aggressively in the areas that will drive growth and higher value. We remain on track toward our 2015 roadmap for operating EPS of at least $20, a step in our long-term strategy of industry leadership and continuous transformation."

Fourth-Quarter GAAP - Operating (non-GAAP) Reconciliation

Fourth-quarter operating (non-GAAP) diluted earnings exclude $0.40 per share of net charges: $0.25 per share for the amortization of purchased intangible assets and other acquisition-related charges, and $0.15 per share for retirement-related items driven by changes to plan assets and liabilities primarily related to market performance.

Full-Year 2014 Expectation

IBM said that it expects to deliver full-year 2014 GAAP earnings per share of at least $17.00; and operating (non-GAAP) earnings per share of at least $18.00. The 2014 operating (non-GAAP) earnings exclude $1.00 per share of charges for amortization of purchased intangible assets, other acquisition-related charges, and retirement-related items driven by changes to plan assets and liabilities primarily related to market performance.

Software

Revenues from the Software segment were $8.1 billion, an increase of 3 percent (up 4 percent, adjusting for currency) from the fourth quarter of 2012. Software pre-tax income of $4.2 billion increased 6 percent year over year.

Revenues from IBM's key middleware products, which include WebSphere, Information Management, Tivoli, Social Workforce Solutions and Rational products, were $5.8 billion, an increase of 5 percent (up 6 percent, adjusting for currency) versus the fourth quarter of 2012. Operating systems revenues of $687 million were down 3 percent (down 2 percent, adjusting for currency) compared with the prior-year quarter.

Revenues from the WebSphere family of software products increased 14 percent year over year. Information Management software revenues increased 5 percent. Revenues from Tivoli software increased 1 percent. Revenues from Social Workforce Solutions increased 2 percent, and Rational software was flat.

Services

Global Technology Services segment revenues decreased 4 percent (down 1 percent adjusting for currency) to $9.9 billion, from the fourth quarter of 2012. Global Business Services segment revenues were up 1 percent (up 4 percent, adjusting for currency) to $4.7 billion.

Pre-tax income from Global Technology Services decreased 2 percent; pre-tax margin increased to 19.5 percent. Global Business Services pre-tax income increased 12 percent; pre-tax margin increased to 19.1 percent.

The estimated services backlog at December 31 was $143 billion, up 2 percent (up 5 percent, adjusting for currency).

Financing

Global Financing segment revenues were flat (up 3 percent, adjusting for currency) in the fourth quarter at $534 million. Pre-tax income for the segment increased 14 percent to $589 million.

Hardware

Revenues from the Systems and Technology segment totaled $4.3 billion for the quarter, down 26 percent from the fourth quarter of 2012. Systems and Technology pre-tax income was $0.2 billion, a decrease of $768 million.

Total systems revenues decreased 25 percent. Revenues from System z mainframe server products decreased 37 percent compared with the year-ago period. Total delivery of System z computing power, as measured in MIPS (millions of instructions per second), decreased 26 percent versus the prior year. Revenues from Power Systems decreased 31 percent compared with the 2012 period. Revenues from System x decreased 16 percent. Revenues from System Storage decreased 13 percent. Revenues from Microelectronics OEM decreased 33 percent.

Geographic Regions

The Americas' fourth-quarter revenues were $12.2 billion, down 3 percent (down 2 percent, adjusting for currency) from the 2012 period. Revenues from Europe/Middle East/Africa were $9.2 billion, up 1 percent (down 2 percent, adjusting for currency). Asia-Pacific revenues decreased 16 percent (down 6 percent, adjusting for currency) to $5.9 billion. OEM revenues were $452 million, down 33 percent compared with the 2012 fourth quarter.

Growth Markets

Revenues from the company's growth markets decreased 9 percent (down 6 percent, adjusting for currency). Revenues in the BRIC countries — Brazil, Russia, India and China — decreased 14 percent (down 11 percent, adjusting for currency).

Gross Profit

The company's total gross profit margin was 51.7 percent in the 2013 fourth quarter compared with 51.8 percent in the 2012 fourth-quarter period. Total operating (non-GAAP) gross profit margin was 52.6 percent in the 2013 fourth quarter compared with 52.3 percent in the 2012 fourth-quarter period, driven by an increase in Services and a mix to Software.

Expense

Total expense and other income was flat at $7.4 billion compared with the prior-year period. S,G&A expense of $6.0 billion increased 1 percent year over year compared with prior-year expense. R,D&E expense of $1.6 billion decreased 1 percent compared with the year-ago period. Intellectual property and custom development income decreased to $201 million compared with $227 million a year ago. Other (income) and expense was income of $113 million compared with prior-year income of $47 million. Interest expense increased to $113 million compared with $109 million in the prior year.

Total operating (non-GAAP) expense and other income decreased 1 percent to $7.1 billion compared with the prior-year period. Operating (non-GAAP) S,G&A expense of $5.8 billion was flat compared with prior-year expense. Operating (non-GAAP) R,D&E expense of $1.6 billion decreased 2 percent compared with the year-ago period.

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Pre-tax income decreased 11 percent to $7.0 billion; total operating (non-GAAP) pre-tax income decreased 8 percent to $7.4 billion. Pre-tax margin was 25.1 percent, down 1.6 points; total operating (non-GAAP) pre-tax margin was 26.8 percent, down 0.8 points.

IBM's tax rate was 11.2 percent, down 14.3 points year over year; total operating (non-GAAP) tax rate was 11.0 percent, down 13.5 points compared to the year-ago period, due to discrete period tax items, including benefits from tax audit settlements.

Net income margin increased 2.4 points to 22.3 percent; total operating

(non-GAAP) net income margin was 23.9 percent, an increase of 3.0 points.

The weighted-average number of diluted common shares outstanding in the fourth-quarter 2013 was 1.08 billion compared with 1.14 billion shares in the same period of 2012.

In the quarter, IBM generated free cash flow of $8.4 billion excluding Global Financing receivables, down $1.1 billion year over year.

Full-Year 2013 Results

Net income for the year ended December 31, 2013 was $16.5 billion compared with $16.6 billion in the prior year, a decrease of 1 percent. Operating (non-GAAP) net income was $18.0 billion compared with $17.6 billion in 2012, an increase of 2 percent.

Diluted earnings were $14.94 per share compared with $14.37 per diluted share in 2012, an increase of 4 percent. Operating (non-GAAP) diluted earnings were $16.28 per share, compared with operating diluted earnings of $15.25 per share in 2012, an increase of 7 percent. Operating (non-GAAP) diluted earnings per share, excluding second-quarter workforce rebalancing charges, were $16.99.

Revenues for 2013 totaled $99.8 billion, a decrease of 5 percent (down 2 percent adjusting for currency), compared with $104.5 billion in 2012.

GAAP - Operating (non-GAAP) Reconciliation

Operating (non-GAAP) diluted earnings for the year exclude $1.34 per share of net charges: $0.68 per share for the amortization of purchased intangible assets and other acquisition-related charges, and $0.66 per share for retirement-related items driven by changes to plan assets and liabilities primarily related to market performance.

Geographic Regions

From a geographic perspective, the Americas' full-year revenues were $43.2 billion, a decrease of 3 percent (down 2 percent adjusting for currency) from the 2012 period. Revenues from Europe/Middle East/Africa were $31.6 billion, flat year to year (down 2 percent, adjusting for currency). Asia-Pacific revenues decreased 12 percent to $22.9 billion (down 3 percent adjusting for currency). OEM revenues were $2.0 billion, down 13 percent compared with 2012 (down 12 percent adjusting for currency).

Growth Markets

Revenues from the company's growth markets decreased 5 percent (down 2 percent, adjusting for currency), and represents 23 percent of IBM's total geographic revenue. Revenues in the BRIC countries — Brazil, Russia, India and China — decreased 8 percent (down 6 percent, adjusting for currency).

Segments

Software segment revenues in 2013 totaled $25.9 billion, an increase of 2 percent (up 3 percent, adjusting for currency). Total Global Services revenues decreased 3 percent (flat adjusting for currency). Revenues from the Global Technology Services segment totaled $38.6 billion, a decrease of 4 percent (down 1 percent, adjusting for currency) compared with 2012. Revenues from the Global Business Services segment were $18.4 billion, down 1 percent (up 3 percent, adjusting for currency). Global Financing segment revenues totaled $2.0 billion, flat year to year (up 3 percent, adjusting for currency). Systems and Technology segment revenues were $14.4 billion, a decrease of 19 percent (down 18 percent, adjusting for currency).

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The company's total gross profit margin was 48.6 percent in 2013 compared with 48.1 percent in 2012. Overall gross profit margins improved year over year for the 10th consecutive year. Total operating (non-GAAP) gross profit margin was 49.7 percent in the 2013 period compared with 48.7 percent in the 2012 period, with an increase in Services and a mix to Software.

The weighted-average number of diluted common shares outstanding in 2013 was 1.10 billion compared with 1.16 billion shares in 2012. As of December 31, 2013, there were 1.05 billion basic common shares outstanding.

Debt, including Global Financing, totaled $39.7 billion, compared with $33.3 billion at year-end 2012. From a management segment view, Global Financing debt totaled $27.5 billion versus $24.5 billion at year-end 2012, resulting in a debt-to-equity ratio of 7.2 to 1. Non-global financing debt totaled $12.2 billion, an increase of $3.4 billion since year-end 2012, resulting in a debt-to-capitalization ratio of 39.0 percent, up from 36.1 percent.

IBM ended 2013 with $11.1 billion of cash on hand and generated free cash flow of $15.0 billion excluding Global Financing receivables, down approximately $3.2 billion year over year. The company returned $17.9 billion to shareholders through $4.1 billion in dividends and $13.9 billion of gross share repurchases. The company's balance sheet remains strong and is well positioned to support the business over the long term.

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 supplementary materials presented within the fourth-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 Supplementary

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. EST, today. The Webcast may be accessed via a link at http://www.ibm.com/investor/events/4q13.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
(Dollars in millions except per share amounts)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2013	**2012**	**Percent Change**	**2013**	**2012**	**Percent Change**
REVENUE						
Global Technology Services	$9,917	$10,284	-3.6%	$38,551	$40,236	-4.2%
Gross profit margin	38.8%	37.6%		38.1%	36.6%	
Global Business Services	4,747	4,720	0.6%	18,396	18,566	-0.9%
Gross profit margin	30.7%	29.9%		30.9%	30.0%	
Software	8,140	7,915	2.8%	25,932	25,448	1.9%
Gross profit margin	90.5%	90.6%		88.8%	88.7%	
System and Technology	4,261	5,763	-26.1%	14,371	17,667	-18.7%
Gross profit margin	38.6%	44.1%		35.6%	39.1%	
Global Financing	534	535	-0.1%	2,022	2,013	0.4%
Gross profit margin	43.3%	43.8%		45.6%	46.5%	
Other	100	87	15.2%	478	577	-17.1%
Gross profit margin	-234.8%	-73.2%		-195.6%	-71.6%	
TOTAL REVENUE	27,699	29,304	-5.5%	99,751	104,507	-4.6%
GROSS PROFIT	14,315	15,167	-5.6%	48,505	50,298	-3.6%
Gross profit margin	51.7%	51.8%		48.6%	48.1%	
EXPENSE AND OTHER INCOME						
S,G&A	5,989	5,921	1.2%	23,502	23,553	-0.2%
Expense to revenue	21.6%	20.2%		23.6%	22.5%	
R,D&E	1,566	1,580	-0.9%	6,226	6,302	-1.2%
Expense to revenue	5.7%	5.4%		6.2%	6.0%	
Intellectual property and custom development income	(201)	(227)	-11.5%	(822)	(1,074)	-23.5%
Other (income) and expense	(113)	(47)	142.5%	(327)	(843)	-61.2%
Interest expense	113	109	3.6%	402	459	-12.5%
TOTAL EXPENSE AND OTHER INCOME	7,353	7,336	0.2%	28,981	28,396	2.1%
Expense to revenue	26.5%	25.0%		29.1%	27.2%	
INCOME BEFORE INCOME TAXES	6,962	7,831	-11.1%	19,524	21,902	-10.9%
Pre-tax margin	25.1%	26.7%		19.6%	21.0%	
Provision for income taxes	777	1,998	-61.1%	3,041	5,298	-42.6%
Effective tax rate	11.2%	25.5%		15.6%	24.2%	
NET INCOME	$6,185	$5,833	6.0%	$16,483	$16,604	-0.7%
Net income margin	22.3%	19.9%		16.5%	15.9%	

EARNINGS PER SHARE OF COMMON STOCK:						
ASSUMING DILUTION	$5.73	$5.13	11.7%	$14.94	$14.37	4.0%
BASIC	$5.77	$5.19	11.2%	$15.06	$14.53	3.6%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUT-STANDING (M's):						
ASSUMING DILUTION	1,080.0	1,136.4		1,103.0	1,155.4	
BASIC	1,072.5	1,124.7		1,094.5	1,142.5	

INTERNATIONAL BUSINESS MACHINES CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Dollars in Millions)	At December 31, 2013	At December 31, 2012
ASSETS:		
Current Assets:		
Cash and cash equivalents	$10,716	$10,412
Marketable securities	350	717
Notes and accounts receivable - trade (net of allowances of $291 in 2013 and $255 in 2012)	10,465	10,667
Short-term financing receivables (net of allowances of $308 in 2013 and $288 in 2012)	19,787	18,038
Other accounts receivable (net of allowances of $36 in 2013 and $17 in 2012)	1,584	1,873
Inventories, at lower of average cost or market:		
Finished goods	444	475
Work in process and raw materials	1,866	1,812
Total inventories	2,310	2,287
Deferred taxes	1,651	1,415
Prepaid expenses and other current assets	4,488	4,024
Total Current Assets	**51,350**	**49,433**
Property, plant and equipment	40,475	40,501
Less: Accumulated depreciation	26,654	26,505
Property, plant and equipment - net	13,821	13,996
Long-term financing receivables (net of allowances of $80 in 2013 and $66 in 2012)	12,755	12,812
Prepaid pension assets	5,551	945
Deferred taxes	3,051	3,973
Goodwill	31,184	29,247
Intangible assets - net	3,871	3,787
Investments and sundry assets	4,639	5,021
Total Assets	**$126,223**	**$119,213**
LIABILITIES:		
Current Liabilities:		
Taxes	$4,633	$4,948
Short-term debt	6,862	9,181
Accounts payable	7,461	7,952
Compensation and benefits	3,893	4,745
Deferred income	12,557	11,952
Other accrued expenses and liabilities	4,748	4,847
Total Current Liabilities	**40,154**	**43,625**
Long-term debt	32,856	24,088
Retirement and nonpension postretirement benefit obligations	16,242	20,418
Deferred income	4,108	4,491
Other liabilities	9,934	7,607
Total Liabilities	**103,294**	**100,229**
EQUITY:		
IBM Stockholders' Equity:		
Common stock	51,594	50,110
Retained earnings	130,042	117,641

Treasury stock -- at cost	(137,242)	(123,131)
Accumulated other comprehensive income/(loss)	(21,602)	(25,759)
Total IBM stockholders' equity	**22,792**	**18,860**
Noncontrolling interests	137	124
Total Equity	**22,929**	**18,984**
Total Liabilities and Equity	**$126,223**	**$119,213**

INTERNATIONAL BUSINESS MACHINES CORPORATION
CASH FLOW ANALYSIS

(Dollars in Millions)	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Twelve Months Ended December 31, 2013	Twelve Months Ended December 31, 2012
Net Cash from Operating Activities per GAAP:	**$6,528**	**$6,346**	**$17,485**	**$19,586**
Less: the change in Global Financing (GF) Receivables	(2,932)	(4,151)	(1,304)	(2,906)
Net Cash from Operating Activities (Excluding GF Receivables)	**9,460**	**10,497**	**18,789**	**22,492**
Capital Expenditures, Net	(1,059)	(981)	(3,768)	(4,307)
Free Cash Flow (Excluding GF Receivables)	**8,401**	**9,515**	**15,021**	**18,185**
Acquisitions	(495)	(1,455)	(3,056)	(3,722)
Divestitures	50	13	297	599
Dividends	(1,025)	(957)	(4,058)	(3,773)
Share Repurchase	(5,797)	(3,006)	(13,859)	(11,995)
Non-GF Debt	1,637	(1,571)	3,193	713
Other (includes GF Receivables, and GF Debt)	(1,937)	(3,664)	2,400	(802)
Change in Cash, Cash Equivalents and Short-term Marketable Securities	**$834**	**($1,125)**	**($63)**	**($794)**

INTERNATIONAL BUSINESS MACHINES CORPORATION
SEGMENT DATA

(Dollars in Millions)	FOURTH-QUARTER 2013				
	Revenue External	Revenue Internal	Revenue Total	Pre-tax Income/ (Loss)	Pre-tax Margin
SEGMENTS					
Global Technology Services	$9,917	$262	$10,179	$1,989	19.5%
Y-T-Y change	-3.6%	-11.9%	-3.8%	-1.9%	
Global Business Services	4,747	169	4,915	940	19.1%
Y-T-Y change	0.6%	-7.0%	0.3%	11.7%	
Software	8,140	878	9,018	4,239	47.0%
Y-T-Y change	2.8%	7.7%	3.3%	5.5%	
Systems and Technology	4,261	170	4,431	206	4.7%
Y-T-Y change	-26.1%	-8.4%	-25.5%	-78.8%	
Global Financing	534	654	1,188	589	49.6%
Y-T-Y change	-0.1%	15.1%	7.7%	13.8%	
TOTAL REPORTABLE SEGMENTS	**$27,599**	**$2,133**	**$29,732**	**$7,964**	**26.8%**
Y-T-Y change	**-5.5%**	**4.2%**	**-4.9%**	**-4.9%**	
Eliminations / Other	100	(2,133)	(2,033)	(1,002)	
TOTAL IBM CONSOLIDATED	**$27,699**	**$0**	**$27,699**	**$6,962**	**25.1%**
Y-T-Y change	**-5.5%**		**-5.5%**	**-11.1%**	

(Dollars in Millions)	FOURTH-QUARTER 2012				
	Revenue External	Revenue Internal	Revenue Total	Pre-tax Income/ (Loss)	Pre-tax Margin
SEGMENTS					
Global Technology Services	$10,284	$297	$10,581	$2,027	19.2%
Global Business Services	4,720	181	4,901	841	17.2%
Software	7,915	815	8,730	4,017	46.0%
Systems and Technology	5,763	186	5,949	974	16.4%
Global Financing	535	568	1,103	518	46.9%
TOTAL REPORTABLE SEGMENTS	**$29,217**	**$2,048**	**$31,265**	**$8,377**	**26.8%**
Eliminations / Other	87	(2,048)	(1,961)	(546)	
TOTAL IBM CONSOLIDATED	**$29,304**	**$0**	**$29,304**	**$7,831**	**26.7%**

INTERNATIONAL BUSINESS MACHINES CORPORATION
SEGMENT DATA

(Dollars in Millions)	TWELVE-MONTHS 2013				
	Revenue External	Revenue Internal	Revenue Total	Pre-tax Income/ (Loss)	Pre-tax Margin
SEGMENTS					
Global Technology Services	$38,551	$1,063	$39,615	$6,983	17.6%
Y-T-Y change	-4.2%	-8.8%	-4.3%	0.3%	
Global Business Services	18,396	714	19,109	3,214	16.8%
Y-T-Y change	-0.9%	-0.8%	-0.9%	7.7%	
Software	25,932	3,191	29,123	11,106	38.1%
Y-T-Y change	1.9%	-2.5%	1.4%	2.7%	
Systems and Technology	14,371	593	14,964	(507)	-3.4%
Y-T-Y change	-18.7%	-12.4%	-18.4%	-141.3%	
Global Financing	2,022	2,282	4,304	2,171	50.4%
Y-T-Y change	0.4%	10.8%	5.7%	6.8%	
TOTAL REPORTABLE SEGMENTS	**$99,273**	**$7,843**	**$107,115**	**$22,967**	**21.4%**
Y-T-Y change	**-4.5%**	**-0.7%**	**-4.2%**	**-4.4%**	
Eliminations / Other	478	(7,843)	(7,365)	(3,443)	
TOTAL IBM CONSOLIDATED	**$99,751**	**$0**	**$99,751**	**$19,524**	**19.6%**
Y-T-Y change	**-4.6%**		**-4.6%**	**-10.9%**	

(Dollars in Millions)	TWELVE-MONTHS 2012				
	Revenue External	Revenue Internal	Revenue Total	Pre-tax Income/ (Loss)	Pre-tax Margin
SEGMENTS					
Global Technology Services	$40,236	$1,166	$41,402	$6,961	16.8%
Global Business Services	18,566	719	19,286	2,983	15.5%
Software	25,448	3,274	28,722	10,810	37.6%
Systems and Technology	17,667	676	18,343	1,227	6.7%
Global Financing	2,013	2,060	4,073	2,034	49.9%
TOTAL REPORTABLE SEGMENTS	**$103,930**	**$7,896**	**$111,826**	**$24,015**	**21.5%**
Eliminations / Other	577	(7,896)	(7,319)	(2,113)	
TOTAL IBM CONSOLIDATED	**$104,507**	**$0**	**$104,507**	**$21,902**	**21.0%**

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

	FOURTH-QUARTER 2013			
	GAAP	Acquisition-Related Adjustments*	Retirement-Related Adjustments**	Operating (Non-GAAP)
Gross Profit	$14,315	$105	$154	$14,574
Gross Profit Margin	51.7%	0.4Pts	0.6Pts	52.6%
S,G&A	5,989	(101)	(90)	5,798
R,D&E	1,566	0	(14)	1,552
Other (Income) & Expense	(113)	(8)	0	(121)
Total Expense & Other (Income)	7,353	(109)	(104)	7,140
Pre-Tax Income	6,962	213	258	7,434
Pre-Tax Income Margin	25.1%	0.8Pts	0.9Pts	26.8%
Provision for Income Taxes* **	777	(55)	94	817
Effective Tax Rate	11.2%	-1.1Pts	0.9Pts	11.0%
Net Income	6,185	268	164	6,617
Net Income Margin	22.3%	1.0Pts	0.6Pts	23.9%
Diluted Earnings Per Share	$5.73	$0.25	$0.15	$6.13

	FOURTH-QUARTER 2012			
	GAAP	Acquisition-Related Adjustments*	Retirement-Related Adjustments**	Operating (Non-GAAP)
Gross Profit	$15,167	$100	$60	$15,327
Gross Profit Margin	51.8%	0.3Pts	0.2Pts	52.3%
S,G&A	5,921	(91)	(29)	5,801
R,D&E	1,580	0	6	1,586
Other (Income) & Expense	(47)	(7)	0	(54)
Total Expense & Other (Income)	7,336	(98)	(23)	7,215
Pre-Tax Income	7,831	198	83	8,112
Pre-Tax Income Margin	26.7%	0.7Pts	0.3Pts	27.7%
Provision for Income Taxes* **	1,998	(45)	30	1,983
Effective Tax Rate	25.5%	-1.2Pts	0.1Pts	24.4%
Net Income	5,833	243	53	6,129
Net Income Margin	19.9%	0.8Pts	0.2Pts	20.9%
Diluted Earnings Per Share	$5.13	$0.21	$0.05	$5.39

* 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
(Dollars in millions except per share amounts)

	TWELVE-MONTHS 2013			
	GAAP	Acquisition-Related Adjustments*	Retirement-Related Adjustments**	Operating (Non-GAAP)
Gross Profit	$48,505	$394	$629	$49,527
Gross Profit Margin	48.6%	0.4Pts	0.6Pts	49.7%
S,G&A	23,502	(394)	(376)	22,731
R,D&E	6,226	0	(57)	6,170
Other (Income) & Expense	(327)	(16)	0	(343)
Total Expense & Other (Income)	28,981	(410)	(433)	28,137
Pre-Tax Income	19,524	804	1,062	21,390
Pre-Tax Income Margin	19.6%	0.8Pts	1.1Pts	21.4%
Provision for Income Taxes* **	3,041	57	333	3,431
Effective Tax Rate	15.6%	-0.3Pts	0.8Pts	16.0%
Net Income	16,483	747	729	17,959
Net Income Margin	16.5%	0.7Pts	0.7Pts	18.0%
Diluted Earnings Per Share	$14.94	$0.68	$0.66	$16.28

	TWELVE-MONTHS 2012			
	GAAP	Acquisition-Related Adjustments*	Retirement-Related Adjustments**	Operating (Non-GAAP)
Gross Profit	$50,298	$376	$264	$50,938
Gross Profit Margin	48.1%	0.4Pts	0.3Pts	48.7%
S,G&A	23,553	(349)	(294)	22,910
R,D&E	6,302	0	20	6,322
Other (Income) & Expense	(843)	(13)	0	(857)
Total Expense & Other (Income)	28,396	(363)	(274)	27,760
Pre-Tax Income	21,902	739	538	23,179
Pre-Tax Income Margin	21.0%	0.7Pts	0.5Pts	22.2%
Provision for Income Taxes* **	5,298	98	156	5,552
Effective Tax Rate	24.2%	-0.4Pts	0.1Pts	24.0%
Net Income	16,604	641	381	17,627
Net Income Margin	15.9%	0.6Pts	0.4Pts	16.9%

Diluted Earnings Per Share	$14.37	$0.55	$0.33	$15.25

* 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.

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