

IBM 2Q 2016 Earnings

July 18, 2016

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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 July 18, 2016. 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/2q16.html>



Overview

2Q16

\$20.2B

Revenue

\$2.95

Operating EPS

\$13.1B

*Free Cash Flow
Last 12 Months*

- Strong growth in Strategic Imperatives
 - Strategic Imperatives revenue of \$31B over the last 12 months, now represents 38% of the business
 - Growth led by Cloud
- Continue to shift business and move to new spaces
 - Invest and partner to enhance Cognitive Solutions and Cloud Platform capabilities
- Overall first half results consistent with expectations
 - Continue to expect at least \$13.50 of Operating EPS for the year



Becoming a Cognitive Solutions & Cloud Platform Company ⁴

2Q16 Progress

- Broadening the reach of Watson platform, Watson Health, Watson IoT with new solutions and partnerships
- Announced Watson for Cyber Security
- Extended cloud innovations available on Bluemix and expanded partnerships to accelerate adoption of enterprise hybrid clouds
- Recent breakthroughs in cloud-enabled quantum computing and Blockchain solutions
- Continued to deliver innovation in core business

Last
12 months

\$31B

*Strategic Imperatives
Revenue*

38%

*IBM
Revenue*

Strategic Imperatives Revenue	2Q16	Yr/Yr
Total	\$8.3	12%
Analytics	\$4.9	4%
Cloud	\$3.4	30%
<i>aaS-exit annual run rate</i>	<i>\$6.7</i>	<i>50%</i>
Mobile	\$1.0	43%
Security	\$0.5	18%
Social	\$0.3	(15%)

Revenue growth rates @CC, \$ in billions

Overlap in Strategic Imperatives revenue primarily reflects solutions delivered via cloud



Key Financial Metrics

P&L Highlights	2Q16	B/(W)
		Yr/Yr
Revenue	\$20.2	(2.6%)
Expense	\$6.4	(6.6%)
PTI - Operating	\$3.5	(24%)
NI - Operating	\$2.8	(25%)
EPS – Operating	\$2.95	(23%)

P&L Ratios (Operating)

GP Margin	49.0%	(1.9 pts)
Expense E/R	31.7%	(2.8 pts)
PTI Margin	17.3%	(4.7 pts)
Tax Rate	19.0%	(1.8 pts)
NI Margin	14.0%	(4.2 pts)

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

Cash Highlights	2Q16	Last 12
		Months
Free Cash Flow (excl. GF Receivables)	\$2.1	\$13.1
Share Repurchase (Gross)	\$0.8	\$4.1
Dividends	\$1.3	\$5.1
Cash Balance @ June 30	\$10.6	

- Gross margin reflects higher level of investments and mix within segments
- Expense dynamics also include yr/yr impact from investments, currency hedges, prior year charges and higher IP Income



Cognitive Solutions Segment

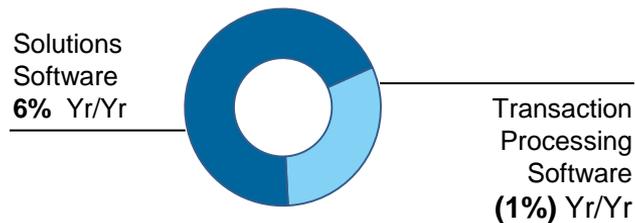
Segment Results	2Q16	Yr/Yr
Revenue (External)	\$4.7	4%
Gross Margin (External)	82.2%	(3.6 pts)
PTI	\$1.5	(20%)
PTI Margin	27.5%	(8.6 pts)

Highlights

- Sequential improvement in both Solutions and Transactions Processing software revenue
- Solutions software growth continued to be led by analytics and security
- Continued strong performance in SaaS
- Broadening the reach of Watson with new services, products and partnerships

Revenue growth rates @CC, \$ in billions

Segment Revenue Elements



Strategic Imperatives Revenue within Cognitive Solutions	2Q16	Yr/Yr
Strategic Imperatives	\$3.0	9%
Cloud	\$0.5	55%
as-a-Service annual run rate	\$1.5	



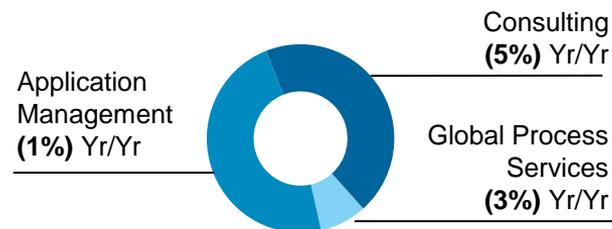
Global Business Services Segment

Segment Results	2Q16	Yr/Yr
Revenue (External)	\$4.3	(3%)
Gross Margin (External)	26.3%	(1.1 pts)
PTI	\$0.5	(26%)
PTI Margin	10.9%	(3.5 pts)

Highlights

- Growth in Strategic Imperatives offset by declines in traditional consulting areas
- Engineered shift to digital practices with strong growth in cloud, mobility, and security
- Margin declines reflect investment in digital and productivity during shift

Segment Revenue Elements



Strategic Imperatives Revenue

within Global Business Services	2Q16	Yr/Yr
Strategic Imperatives	\$2.3	13%
Cloud	\$0.7	60%
as-a-Service annual run rate	\$0.6	



Technology Services and Cloud Platforms Segment

Segment Results	2Q16	Yr/Yr
Revenue (External)	\$8.9	Flat
Gross Margin (External)	41.6%	(0.6 pts)
PTI	\$1.3	(10%)
PTI Margin	14.2%	(1.4 pts)

Highlights

- Continued growth in Infrastructure Services and hybrid cloud
- Ramp in as-a-Service, shifting from systems integration to services integration
- Margins impacted by business mix and investment in cloud platforms

Segment Revenue Elements



Strategic Imperatives Revenue within Technology Svcs & Cloud Platforms	2Q16	Yr/Yr
Strategic Imperatives	\$2.0	35%
Cloud	\$1.4	43%
as-a-Service annual run rate	\$4.7	



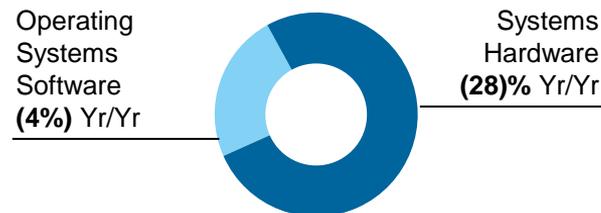
Systems Segment

Segment Results	2Q16	Yr/Yr
Revenue (External)	\$2.0	(23%)
Gross Margin (External)	56.5%	0.1 pts
PTI	\$0.2	(58%)
PTI Margin	10.6%	(9.1 pts)

Highlights

- zSystems performance continues to reflect product cycle
- Gross Margin expansion in both zSystems and Power
- Executing on Linux on Power and OpenPower strategy
- Storage value continues to shift to software

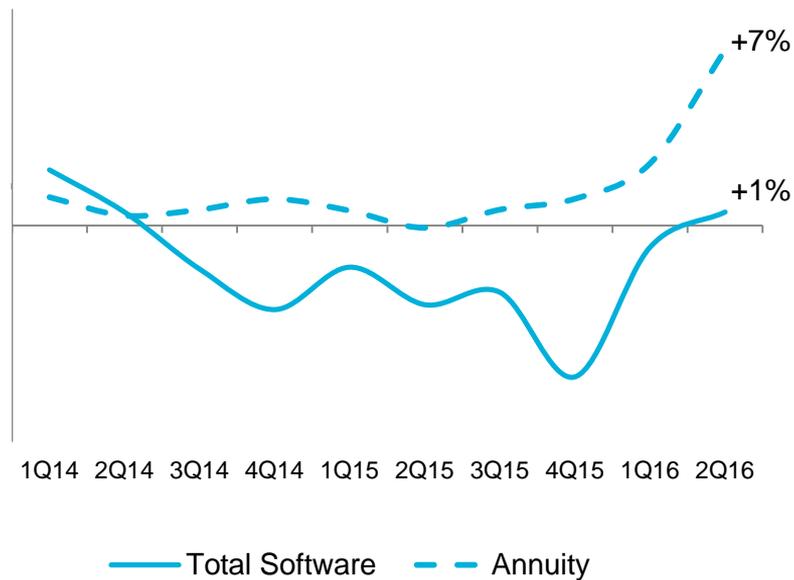
Segment Revenue Elements



Strategic Imperatives Revenue within Systems	2Q16	Yr/Yr
Strategic Imperatives	\$0.9	(14%)
Cloud	\$0.8	(11%)

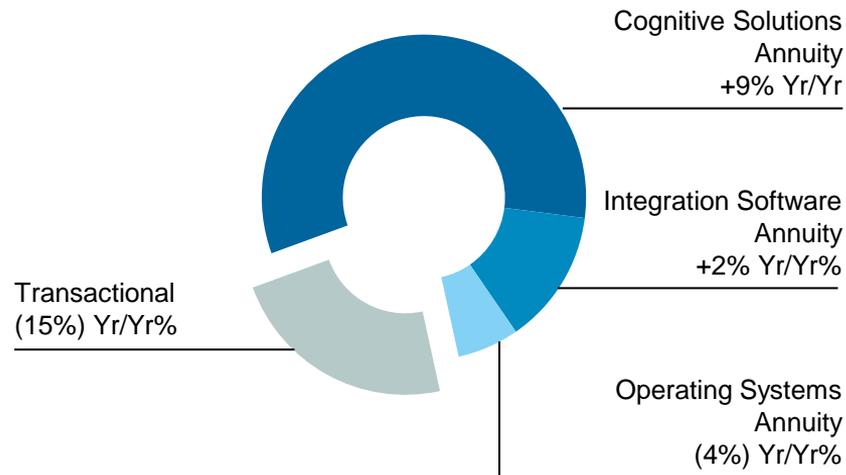


Software Revenue Growth Trends



Software Revenue Composition

Revenue mix represents last 12 months
Revenue growth represents 2Q16 Yr/Yr



Cash Flow and Balance Sheet Highlights

Cash Flow	2Q16	Yr/Yr	Last 12 Months
Net Cash from Operations*	\$3.1	(\$1.2)	\$17.0
Free Cash Flow*	\$2.1	(\$1.2)	\$13.1
Selected Uses of Cash			
Net Capital Expenditures	\$1.0		\$3.9
Acquisitions	\$2.8		\$8.0
Dividends/Share Repurchase	\$2.2		\$9.2

- Free Cash Flow flat yr/yr for the first half
- Free Cash Flow realization over 100% on a trailing twelve month basis
- 11 acquisitions in the first half

Balance Sheet	Jun 16	Dec 15	** Jun 15
Cash & Marketable Securities	\$10.6	\$8.2	\$8.8
Total Debt	\$44.5	\$39.9	\$38.6
Global Financing Debt	\$26.5	\$27.2	\$26.1
Global Financing Leverage	7.3	7.3	7.0
Non-GF Debt	\$18.0	\$12.7	\$12.5
Non-GF Debt/Capital	59%	54%	55%

- Positioned to support business over the longer term

\$ in billions

*Excludes Global Financing receivables; **Prior year reclassified for the adoption of the FASB guidance (Debt issuance cost)



2016 EPS Drivers

EPS YTY Drivers	1H16 Results	2H16 Expectations
1Q Charges and Savings	Significant impact	Contribution
Mainframe compare	Mid single digit headwind	Nominal impact
Cognitive/Cloud Organic Investments	Mid single digit headwind	Lower impact
Acquisitions (closed)	Low single digit headwind	Lower impact
Software Mix/as-a-Service ramp	Nominal impact	Modest contribution
Currency	Mid single digit headwind	Lower impact
Tax	Significant discrete benefit	Discretely unknown

- Improved EPS trajectory in second half
- Maintain full year 2016 expectations
 - At least \$13.50 of Operating EPS
 - Free Cash Flow at high end of range



Summary

- IBM uniquely positioned to deliver value to clients
 - cognitive business
 - hybrid cloud environments
 - strong industry dimension
- Moving to new spaces and creating new markets
- Investing to add capabilities and deliver innovation





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Supplemental Materials

- Currency – Impact on Revenue Growth
- Geographic Revenue
- Segment Revenue & Gross Profit Margin
- Additional Revenue & Backlog Information
- Expense Summary
- Global Financing Portfolio
- Balance Sheet Summary
- Cash Flow Summary
- Cash Flow (ASC 230)
- Non-GAAP Supplemental Materials



Currency – Impact on Revenue Growth

Quarterly Averages per US \$	1Q16	Yr/Yr	2Q16	Yr/Yr	7/15/2016 Spot	Yr/Yr @ 7/15/16 Spot		
						3Q16	4Q16	FY16
Euro	0.91	(2%)	0.89	2%	0.90	0%	1%	0%
Pound	0.70	(6%)	0.70	(7%)	0.76	(17%)	(15%)	(11%)
Yen	115	3%	108	11%	106	13%	13%	10%
IBM Revenue Impact		(2.6 pts)		(0.2 pts)		0-1 pts	~1 pts	~0 pts

	(US\$B)	Yr/Yr
Revenue As Reported	\$20.2	(3%)
Currency Impact	(\$0.0)	-0.2Pts
Revenue @ CC		(3%)



Geographic Revenue

Geography Revenue	2Q16	Yr/Yr
Americas	\$9.5	(2%)
Europe/ME/Africa	\$6.3	(4%)
Asia Pacific	\$4.4	(2%)

- Americas reflects sequential improvement in the US (-2% yr/yr), Canada and LA
- EMEA weakened, driven by Germany and Switzerland; good growth in Middle East/Africa
- Asia Pacific performance mixed with Japan flat
- BRIC countries returned to growth, with sequential improvement in each; total growth markets (-3% yr/yr)

Revenue growth rates @CC, \$ in billions

Supplemental Materials



Segment Revenue & Gross Profit

Segment Revenue & Profit Metrics-2Q16	Revenue	Yr/Yr	GP%	GP Yr/Yr
Cognitive Solutions	\$4.7	4%	82.2%	(3.6) pts
Global Business Services	\$4.3	(3%)	26.3%	(1.1) pts
<i>Cognitive Solutions & Industry Services</i>	<i>\$8.9</i>	<i>1%</i>	<i>55.5%</i>	<i>(1.6) pts</i>
Technology Services & Cloud Platforms	\$8.9	Flat	41.6%	(0.6) pts
Global Technology Services	\$7.8	1%	35.4%	0.1 pts
Integration Software	\$1.1	(8%)	85.3%	(1.2) pts
Systems	\$2.0	(23%)	56.5%	0.1 pts
Systems Hardware	\$1.5	(28%)	46.1%	(2.1) pts
Operating Systems Software	\$0.5	(4%)	90.1%	(1.2) pts
Global Financing	\$0.4	(10%)	38.7%	(6.0) pts

Revenue growth rates @CC, \$ in billions

Supplemental Materials



Additional Revenue & Backlog Information

	2Q16	Yr/Yr
Software Revenue*	\$6.2	1%
Cognitive Solutions	\$4.7	4%
Solutions Software	\$3.2	6%
Transaction Processing Software	\$1.4	(1%)
Integration Software	\$1.1	(8%)
Operating Systems Software	\$0.5	(4%)
Hardware Revenue	\$1.5	(28%)
z Systems		(40%)
Power		(24%)
Storage		(13%)

	2Q16	Yr/Yr
Services Revenue		
Global Technology Services	\$7.8	1%
Infrastructure Services	\$5.9	2%
Technical Support Services	\$1.8	(2%)
Global Business Services	\$4.3	(3%)
Consulting	\$1.9	(5%)
Global Process Services	\$0.3	(3%)
Application Management	\$2.0	(1%)
Signings**	\$13.1	16%
Services Backlog	\$124	Flat
Currency Impact Year to Year		(\$1)
Currency Impact Quarter to Quarter	(\$0)	

Growth rates @CC, \$ in billions, Actual backlog calculated using June 30 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	2Q16	B/(W) Yr/Yr	Currency	Acq. *	Base
SG&A – Operating	\$5.1	(1%)	0 pts	(4 pts)	2 pts
RD&E – Operating	\$1.5	(13%)	1 pts	(8 pts)	(6 pts)
IP and Development Income	(\$0.4)	184%			
Other (Income)/Expense	\$0.0	N/M			
Interest Expense	\$0.2	(45%)			
Operating Expense & Other Income	\$6.4	(7%)	(4 pts)	(5 pts)	2 pts

\$ in billions

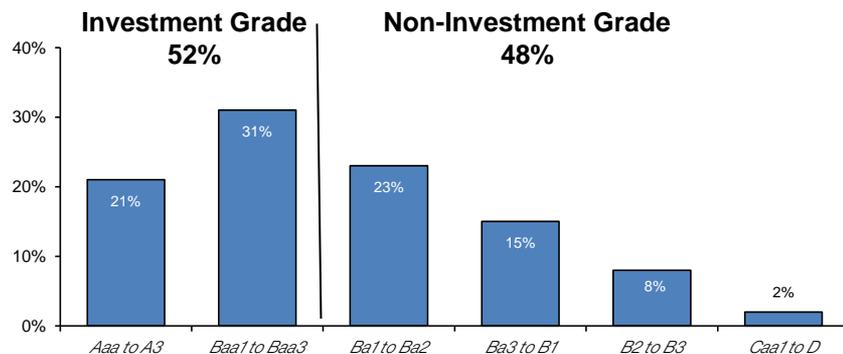
*includes acquisitions made in the last twelve months, net of non-operating acquisition-related charges

Supplemental Materials



Global Financing Portfolio

2Q16 – \$25.4B Net External Receivables



Global Financing Metrics	2Q16	1Q16	2Q15
Identified Loss Rate	2.1%	2.0%	2.1%
Anticipated Loss Rate	0.5%	0.6%	0.3%
Reserve Coverage	2.6%	2.6%	2.4%
Client Days Delinquent Outstanding	3.5	4.2	3.8
Commercial A/R > 30 days	\$25M	\$25M	\$45M



Balance Sheet Summary

	Jun 16	Dec 15	Jun 15*
Cash & Marketable Securities	\$10.6	\$8.2	\$8.8
Non-GF Assets **	\$75.3	\$67.7	\$70.4
Global Financing Assets	\$32.2	\$34.6	\$33.3
Total Assets	\$118.1	\$110.5	\$112.5
Other Liabilities	\$57.6	\$56.2	\$60.0
Non-GF Debt **	\$18.0	\$12.7	\$12.5
Global Financing Debt	\$26.5	\$27.2	\$26.1
Total Debt	\$44.5	\$39.9	\$38.6
Total Liabilities	\$102.2	\$96.1	\$98.6
Equity	\$15.9	\$14.4	\$13.8
Non-GF Debt / Capital	59%	54%	55%
Global Financing Leverage	7.3	7.3	7.0

\$ in billions

* Prior year reclassified for the adoption of the FASB guidance (Debt issuance cost and Deferred Tax classification)

**includes eliminations of inter-company activity

Supplemental Materials



Cash Flow Summary

	2Q16	B/(W) Yr/Yr	YTD 2016	B/(W) Yr/Yr
Net Cash from Operations	\$3.4	(\$0.4)	\$9.1	\$1.6
Less: Global Financing Receivables	\$0.3	\$0.7	\$2.7	\$1.5
Net Cash from Operations (excluding GF Receivables)	\$3.1	(\$1.2)	\$6.4	\$0.1
Net Capital Expenditures	(\$1.0)	(\$0.1)	(\$1.9)	(\$0.1)
Free Cash Flow (excluding GF Receivables)	\$2.1	(\$1.2)	\$4.4	(\$0.0)
Acquisitions	(\$2.8)	(\$2.3)	(\$5.4)	(\$4.7)
Divestitures	(\$0.0)	(\$0.1)	\$0.0	(\$0.0)
Dividends	(\$1.3)	(\$0.1)	(\$2.6)	(\$0.2)
Share Repurchases (Gross)	(\$0.8)	\$0.3	(\$1.8)	\$0.5
Non-GF Debt	(\$0.8)	(\$0.8)	\$5.1	\$4.7
Other (includes GF A/R & GF Debt)	(\$0.6)	(\$0.0)	\$2.7	\$1.9
Change in Cash & Marketable Securities	(\$4.3)	(\$4.2)	\$2.4	\$2.1

\$ in billions

Supplemental Materials



Cash Flow (ASC 230)

	QTD 2Q16	QTD 2Q15	YTD 2016	YTD 2015
Net Income from Operations	\$2.5	\$3.4	\$4.5	\$5.8
Depreciation / Amortization of Intangibles	\$1.1	\$1.0	2.1	1.9
Stock-based Compensation	\$0.1	\$0.1	0.3	0.3
Working Capital / Other	(\$0.6)	(\$0.3)	(0.5)	(1.7)
Global Financing A/R	\$0.3	(\$0.4)	2.7	1.2
Net Cash provided by Operating Activities	\$3.4	\$3.9	9.1	7.5
Capital Expenditures, net of payments & proceeds	(\$1.0)	(\$0.9)	(1.9)	(1.8)
Divestitures, net of cash transferred	(\$0.0)	\$0.1	0.0	0.1
Acquisitions, net of cash acquired	(\$2.8)	(\$0.6)	(5.4)	(0.7)
Marketable Securities / Other Investments, net	(\$0.7)	(\$0.5)	0.8	1.1
Net Cash used in Investing Activities	(\$4.5)	(\$1.9)	(6.5)	(1.4)
Debt, net of payments & proceeds	(\$1.0)	(\$0.2)	3.9	(1.5)
Dividends	(\$1.3)	(\$1.3)	(2.6)	(2.4)
Common Stock Repurchases	(\$0.8)	(\$1.1)	(1.8)	(2.3)
Common Stock Transactions - Other	\$0.1	\$0.1	0.1	0.2
Net Cash used in Financing Activities	(\$3.2)	(\$2.6)	(0.3)	(6.0)
Effect of Exchange Rate changes on Cash	(\$0.1)	\$0.2	0.1	(0.2)
Net Change in Cash & Cash Equivalents	(\$4.3)	(\$0.4)	2.3	(0.1)

\$ in billions

Supplemental Materials



Non-GAAP Supplemental Materials

Reconciliation of Operating Earnings Per Share

	2016
EPS Guidance	Expectations
IBM GAAP EPS	at least \$12.23
IBM Operating EPS (Non-GAAP)	at least \$13.50
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Adjustments	
Acquisition Related Charges*	\$0.84
Non-Operating Retirement-Related Items	\$0.43

* Includes acquisitions through June 30, 2016

The above reconciles the Non-GAAP financial information contained in the “Overview” and “2016 EPS Drivers” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated July 18, 2016 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth-2Q 2016

	2Q16 Yr/Yr	
	GAAP	@CC
Americas	(3%)	(2%)
Europe/ME/Africa	(4%)	(4%)
Asia Pacific	1%	(2%)
U.S.	(2%)	(2%)
Japan	13%	0%
Growth Markets	(8%)	(3%)

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 July 18, 2016 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth-2Q 2016

	2Q16 Yr/Yr	
	GAAP	@CC
Strategic Imperatives	12%	12%
Analytics	5%	4%
Cloud	30%	30%
Mobile	43%	43%
Security	18%	18%
Social	(15%)	(15%)

The above reconciles the Non-GAAP financial information contained in the “Becoming a Cognitive Solutions & Cloud Platform Company” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated July 18, 2016 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Revenue Growth-2Q 2016

	2Q16 Yr/Yr	
	GAAP	@CC
Cognitive Solutions	4%	4%
Solutions Software	6%	6%
Transaction Processing Software	(1%)	(1%)
Strategic Imperatives	9%	9%
Cloud	54%	55%
Global Business Services	(2%)	(3%)
Consulting	(4%)	(5%)
Global Processing Services	(4%)	(3%)
Application Management	(0%)	(1%)
Strategic Imperatives	14%	13%
Cloud	63%	60%
Cognitive Solutions & Industry Svcs	1%	1%

	2Q16 Yr/Yr	
	GAAP	@CC
Tech Svcs & Cloud Platforms	Flat	Flat
Global Technology Services	1%	1%
Infrastructure Services	2%	2%
Technical Support Services	(3%)	(2%)
Integration Software	(8%)	(8%)
Strategic Imperatives	35%	35%
Cloud	43%	43%
Systems	(23%)	(23%)
Systems Hardware	(28%)	(28%)
z Systems	(40%)	(40%)
Power	(24%)	(24%)
Storage	(13%)	(13%)
Operating Systems Software	(5%)	(4%)
Strategic Imperatives	(14%)	(14%)
Cloud	(11%)	(11%)
Global Financing	(11%)	(10%)
Total Software	1%	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 July 18, 2016 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials



Non-GAAP Supplemental Materials

Reconciliation of Expense Summary-2Q 2016

	GAAP	Non-GAAP Adjustments	Operating (Non-GAAP)
SG&A			
Currency	0 pts	0 pts	0 pts
Acquisitions	(5 pts)	2 pts	(4 pts)
Base	2 pts	0 pts	2 pts
RD&E			
Currency	1 pts	0 pts	1 pts
Acquisitions	(8 pts)	(0 pts)	(8 pts)
Base	(5 pts)	(0 pts)	(6 pts)
Operating Expense & Other Income			
Currency	(3 pts)	(0 pts)	(4 pts)
Acquisitions	(6 pts)	1 pts	(5 pts)
Base	2 pts	0 pts	2 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 July 18, 2016 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Software Revenue Growth – 2Q 2016

	2Q16 Yr/Yr	
	GAAP	@CC
Transactional	(15%)	(15%)
Annuity (Total Software)	6%	7%
Cognitive Solutions Annuity	8%	9%
Integration Software Annuity	2%	2%
Operating Systems Annuity	(5%)	(4%)

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 July 18, 2016 for additional information on the use of these Non-GAAP financial measures.



Non-GAAP Supplemental Materials

Reconciliation of Debt-to-Capital Ratio

	Jun 2016	Dec 2015	Jun 2015*
Non-Global Financing Debt/Capital	59%	54%	55%
IBM Consolidated Debt/Capital	74%	73%	74%

* Prior year reclassified for the adoption of the FASB guidance (Debt issuance cost)

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 July 18, 2016 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



Non-GAAP Supplemental Materials

Reconciliation of Free Cash Flow-Last 12 Months

	12 Months Ended Jun 2016
Net Cash from Operating Activities per GAAP:	\$18.6
Less: the change in Global Financing (GF) Receivables	\$1.7
Net Cash from Operating Activities (Excluding GF Receivables)	\$17.0
Capital Expenditures, Net	(\$3.9)
Free Cash Flow (Excluding GF Receivables)	\$13.1

\$ in billions

The above reconciles the Non-GAAP financial information contained in the “Overview”, “Key Financial Metrics” and “Cash Flow and Balance Sheet Highlights” discussions in the company’s earnings presentation. See Exhibit 99.2 included in the Company’s Form 8-K dated July 18, 2016 for additional information on the use of these Non-GAAP financial measures.

Supplemental Materials





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