**IBM RELEASES THIRD-QUARTER RESULTS**
**Exceeded expectations with accelerated revenue growth led by Software and Infrastructure; Raises outlook for full-year free cash flow**

ARMONK, N.Y., October 21, 2026 . . . IBM (NYSE: IBM) today announced third-quarter 2026 earnings results.

“Disciplined execution throughout the quarter drove accelerated revenue growth and strong free cash flow. Our clients are now deploying Super Intelligence in ways that transform entire operating models, instead of simply addressing narrow or novel problems. IBM's technology and expertise are helping organizations drive growth and serve customers with greater speed, precision and efficiency than ever before," said Arvind Krishna, IBM chairman, president and chief executive officer. "For the full year, we continue to expect constant currency revenue growth in the range of four-to-five percent, and we now expect free cash flow to increase by more than $1 billion year-over-year.”

## Third-Quarter Highlights

- Revenue
  - Revenue of $17.1 billion, up 5 percent, up 6 percent at constant currency
  - Software revenue up 8 percent, up 9 percent at constant currency
  - Consulting revenue flat, up 2 percent at constant currency
  - Infrastructure revenue up 4 percent, up 5 percent at constant currency
- Profit
  - Gross Profit Margin: GAAP: 56.8 percent, down 50 basis points; Operating (Non-GAAP): 58.5 percent, down 20 basis points
  - Pre-Tax Income Margin: GAAP: 14.6 percent, down 30 basis points; Operating (Non-GAAP): 19.3 percent, up 70 basis points
- Cash Flow
  - Year to date, net cash from operating activities of $11.8 billion; free cash flow of $7.8 billion

**THIRD-QUARTER 2026 INCOME STATEMENT SUMMARY**

| | Revenue | Gross Profit | Gross Profit Margin | Pre-tax Income | Pre-tax Income Margin | Net Income | Diluted Earnings Per Share |
|---|---|---|---|---|---|---|---|
| **GAAP from Continuing Operations** | **$ 17.1B** | **$ 9.7B** | **56.8** % | **$ 2.5B** | **14.6** % | **$ 2.2B** | **$ 2.31** |
| Year/Year | 5 % (1) | 4 % | (0.5) Pts | 3 % | (0.3) Pts | 26 % | 26 % |
| **Operating (Non-GAAP)** | | **$ 10.0B** | **58.5** % | **$ 3.3B** | **19.3** % | **$ 2.8B** | **$ 2.95** |
| Year/Year | | 4 % | (0.2) Pts | 9 % | 0.7 Pts | 12 % | 11 % |

(1) 6% at constant currency.

“Demand across our portfolio combined with strong operational execution led to accelerated growth and solid operating pre-tax margin expansion in the quarter," said James Kavanaugh, IBM senior vice president and chief financial officer. "Just as we are helping clients extract value from their operations with Super Intelligence, we are driving tangible returns through our productivity initiatives inside IBM. This approach fuels profit and free cash flow growth and enables us to continue to invest in our business while returning value to shareholders through our dividend.”

**Segment Results for Third Quarter**

- *Software* — revenues of $7.8 billion, up 8 percent, up 9 percent at constant currency
  - Hybrid Cloud (Red Hat) up 11 percent
  - Automation down 3 percent
  - Data up 19 percent, up 20 percent at constant currency
  - Transaction Processing up 9 percent, up 10 percent at constant currency

- *Consulting* — revenues of $5.3 billion, flat, up 2 percent at constant currency
  - Strategy and Technology up 2 percent, up 4 percent at constant currency
  - Intelligent Operations down 2 percent, flat at constant currency

- *Infrastructure* — revenues of $3.7 billion, up 4 percent, up 5 percent at constant currency
  - Hybrid Infrastructure up 8 percent, up 9 percent at constant currency
    - IBM Z down 20 percent, down 19 percent at constant currency
    - Distributed Infrastructure up 31 percent, up 32 percent at constant currency
  - Infrastructure Support down 3 percent, down 2 percent at constant currency

- *Financing* — revenues of $0.2 billion, down 4 percent, down 3 percent at constant currency

**Cash Flow and Balance Sheet**

In the third quarter, the company generated net cash from operating activities of $4.0 billion, up $0.9 billion year to year. IBM's free cash flow was $3.0 billion, up $0.7 billion year to year. The company returned $1.6 billion to shareholders in dividends in the third quarter.

For the first nine months of the year, the company generated net cash from operating activities of $11.8 billion, up $2.6 billion year to year. IBM's free cash flow was $7.8 billion, up $0.6 billion year to year.

IBM ended the third quarter with $11.1 billion of cash, restricted cash and marketable securities, down $3.4 billion from year-end 2025. The company invested $11.4 billion in acquisitions this year. Debt, including IBM Financing debt of $12.7 billion, totaled $63.8 billion, up $2.6 billion year to date.

**Full-Year 2026 Expectations**

- Revenue: The company continues to expect full-year constant currency revenue growth in the range of four-to-five percent. At current foreign exchange rates, currency is expected to be neutral to growth for the year
- Free cash flow: The company now expects full-year free cash flow to increase by more than $1 billion year-over-year

**Dividend Declaration**

The IBM board of directors approved a regular quarterly cash dividend of $1.69 per common share, to stockholders of record on November 10, 2026. With payment of the December 10, 2026 dividend, IBM will have paid consecutive quarterly dividends every year since 1916.

**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, but not limited to, the following: a downturn in economic environment and client spending budgets; a failure of the company's innovation initiatives; damage to the company's reputation; 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; the company's ability to successfully manage acquisitions, alliances and divestitures, including integration challenges, failure to achieve objectives, the assumption or retention of liabilities and higher debt levels; fluctuations in financial results; impact of local

legal, economic, political, health and other conditions; the company's failure to meet growth and productivity objectives; ineffective internal controls; the company's use of accounting estimates; impairment of the company's goodwill or amortizable intangible assets; the company's ability to attract and retain key employees and its reliance on critical skills; impacts of relationships with critical suppliers; product and service quality issues; the development and use of AI, including the company's increased AI solutions and use of AI technologies; impacts of business with government clients; reliance on third party distribution channels and ecosystems; cybersecurity and data protection considerations; adverse effects related to climate change and other environmental matters; tax matters; legal proceedings and investigatory risks; the company's pension plans; currency fluctuations and customer financing risks; impact of changes in market liquidity conditions and customer credit risk on receivables; 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 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. Except as required by law, 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:

- adjusting for currency (i.e., at constant currency);
- presenting operating (non-GAAP) earnings per share amounts and related income statement items;
- free cash flow;
- net cash from operating activities excluding IBM Financing receivables;
- adjusted EBITDA;
- adjusted EBITDA margin.

The rationale for management's use of these non-GAAP measures is included in Exhibit 99.2 in 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 5:00 p.m. ET, today. The Webcast may be accessed via a link at https://www.ibm.com/investor/events/earnings-3q26. 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).

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2026** | **2025** | **2026** | **2025** |
| **REVENUE BY SEGMENT** | | | | |
| Software | $ 7,804 | $ 7,209 | $ 22,617 | $ 20,932 |
| Consulting | 5,335 | 5,324 | 15,934 | 15,706 |
| Infrastructure | 3,707 | 3,559 | 10,868 | 10,586 |
| Financing | 192 | 200 | 598 | 557 |
| Other | 66 | 38 | 165 | 68 |
| **TOTAL REVENUE** | 17,103 | 16,331 | 50,182 | 47,849 |
| **GROSS PROFIT** | 9,714 | 9,360 | 28,571 | 27,369 |
| **GROSS PROFIT MARGIN** | | | | |
| Software | 82.5 % | 83.1 % | 82.6 % | 83.5 % |
| Consulting | 27.4 % | 29.3 % | 27.9 % | 28.0 % |
| Infrastructure | 56.7 % | 57.2 % | 57.4 % | 57.7 % |
| Financing | 40.7 % | 45.6 % | 42.2 % | 45.7 % |
| **TOTAL GROSS PROFIT MARGIN** | 56.8 % | 57.3 % | 56.9 % | 57.2 % |
| **EXPENSE AND OTHER INCOME** | | | | |
| SG&A | 4,620 | 4,748 | 14,691 | 14,661 |
| R&D | 2,378 | 2,082 | 6,863 | 6,129 |
| Intellectual property and custom development income | (164) | (219) | (501) | (687) |
| Other (income) and expense | (109) | (173) | (296) | (376) |
| Interest expense | 491 | 492 | 1,451 | 1,457 |
| **TOTAL EXPENSE AND OTHER INCOME** | 7,217 | 6,931 | 22,208 | 21,184 |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 2,497 | 2,430 | 6,363 | 6,185 |
| Pre-tax income margin | 14.6 % | 14.9 % | 12.7 % | 12.9 % |
| Provision for/(benefit from) income taxes | 298 | 686 | 782 | 1,193 |
| Effective tax rate | 11.9 % | 28.2 % | 12.3 % | 19.3 % |
| **INCOME FROM CONTINUING OPERATIONS** | $ 2,199 | $ 1,744 | $ 5,581 | $ 4,992 |
| **DISCONTINUED OPERATIONS** | | | | |
| Income from discontinued operations, net of taxes | (10) | 0 | (10) | 1 |
| **NET INCOME** | $ 2,190 | $ 1,744 | $ 5,571 | $ 4,993 |
| **EARNINGS PER SHARE OF COMMON STOCK** | | | | |
| Assuming dilution | | | | |
| Continuing operations | $ 2.31 | $ 1.84 | $ 5.86 | $ 5.27 |
| Discontinued operations | $ (0.01) | $ 0.00 | $ (0.01) | $ 0.00 |
| TOTAL | $ 2.30 | $ 1.84 | $ 5.85 | $ 5.27 |
| Basic | | | | |
| Continuing operations | $ 2.33 | $ 1.87 | $ 5.93 | $ 5.36 |
| Discontinued operations | $ (0.01) | $ 0.00 | $ (0.01) | $ 0.00 |
| TOTAL | $ 2.32 | $ 1.87 | $ 5.92 | $ 5.36 |
| **WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (M's)** | | | | |
| Assuming dilution | 953.5 | 948.9 | 953.0 | 947.4 |
| Basic | 944.4 | 933.9 | 941.4 | 930.9 |

**INTERNATIONAL BUSINESS MACHINES CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEET**
**(Unaudited)**

| ($ in millions) | At September 30, 2026 | At December 31, 2025 |
|---|---|---|
| **ASSETS:** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 9,233 | $ 13,587 |
| Restricted cash | 48 | 54 |
| Marketable securities | 1,825 | 830 |
| Notes and accounts receivable - trade, net | 5,794 | 8,112 |
| Short-term financing receivables | | |
| Held for investment, net | 5,638 | 7,344 |
| Held for sale | 774 | 1,131 |
| Other accounts receivable, net | 1,673 | 1,052 |
| Inventories | 1,945 | 1,220 |
| Deferred costs | 1,177 | 1,084 |
| Prepaid expenses and other current assets | 3,083 | 2,530 |
| **Total current assets** | **31,192** | **36,944** |
| Property, plant and equipment, net | 6,043 | 5,899 |
| Operating right-of-use assets, net | 3,114 | 3,129 |
| Long-term financing receivables, net | 6,844 | 7,708 |
| Prepaid pension assets | 7,715 | 7,544 |
| Deferred costs | 808 | 825 |
| Deferred taxes | 8,827 | 8,610 |
| Goodwill | 74,916 | 67,717 |
| Intangibles, net | 13,603 | 11,391 |
| Investments and sundry assets | 1,950 | 2,112 |
| **Total assets** | **$ 155,011** | **$ 151,880** |
| **LIABILITIES:** | | |
| **Current Liabilities:** | | |
| Taxes | $ 1,867 | $ 2,347 |
| Short-term debt | 7,013 | 6,424 |
| Accounts payable | 4,491 | 4,756 |
| Compensation and benefits | 3,668 | 4,114 |
| Deferred income | 15,164 | 16,101 |
| Operating lease liabilities | 749 | 800 |
| Other liabilities | 3,534 | 4,116 |
| **Total current liabilities** | **36,485** | **38,658** |
| Long-term debt | 56,804 | 54,836 |
| Retirement-related obligations | 8,452 | 9,018 |
| Deferred income | 4,318 | 4,271 |
| Operating lease liabilities | 2,574 | 2,547 |
| Other liabilities | 10,172 | 9,810 |
| **Total liabilities** | **118,805** | **119,139** |
| **EQUITY:** | | |
| **IBM stockholders' equity:** | | |
| Common stock | 65,137 | 63,318 |
| Retained earnings | 156,576 | 155,648 |
| Treasury stock - at cost | (171,191) | (170,605) |
| Accumulated other comprehensive income/(loss) | (14,985) | (15,713) |
| **Total IBM stockholders' equity** | **35,537** | **32,648** |
| Noncontrolling interests | 669 | 93 |
| **Total equity** | **36,206** | **32,740** |
| **Total liabilities and equity** | **$ 155,011** | **$ 151,880** |

**INTERNATIONAL BUSINESS MACHINES CORPORATION**
**STATEMENT OF CASH FLOWS**
**(Unaudited)**

| ($ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 [1] | 2026 | 2025 [1] |
| **Cash flows from operating activities:** | | | | |
| Net income | $ 2,190 | $ 1,744 | $ 5,571 | $ 4,993 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | | |
| Depreciation [2] | 550 | 583 | 1,638 | 1,698 |
| Amortization of capitalized software and acquired intangible assets | 828 | 699 | 2,363 | 2,027 |
| Stock-based compensation | 535 | 444 | 1,539 | 1,285 |
| Net (gain)/loss on divestitures, asset sales and other | (47) | (6) | (124) | (46) |
| Changes in operating assets and liabilities, net of acquisitions/divestitures | (31) | (383) | 804 | (804) |
| **Net cash provided by operating activities** | **4,025** | **3,081** | **11,791** | **9,153** |
| **Cash flows from investing activities:** | | | | |
| Payments for property, plant and equipment | (332) | (255) | (793) | (709) |
| Proceeds from disposition of property, plant and equipment/other | 29 | 7 | 60 | 118 |
| Investment in software | (154) | (162) | (467) | (476) |
| Purchases of marketable securities and other investments | (1,898) | (1,169) | (4,769) | (8,910) |
| Proceeds from disposition of marketable securities and other investments | 640 | 1,199 | 3,763 | 6,162 |
| Acquisition of businesses, net of cash acquired | (884) | (58) | (11,364) | (7,903) |
| Divestiture of businesses, net of cash transferred | 28 | - | 30 | (1) |
| **Net cash provided by/(used in) investing activities** | **(2,570)** | **(437)** | **(13,539)** | **(11,719)** |
| **Cash flows from financing activities:** | | | | |
| Proceeds from new debt | 1,978 | 6 | 9,415 | 8,391 |
| Payments to settle debt | (120) | (1,114) | (7,261) | (3,679) |
| Short-term borrowings/(repayments) less than 90 days - net | 2 | 0 | 3 | (29) |
| Common stock repurchases for tax withholdings | (352) | (414) | (817) | (851) |
| Proceeds from issuance of shares | 143 | 134 | 562 | 535 |
| Noncontrolling interest transactions [3] | 575 | - | 557 | (15) |
| Financing - other [3] | (24) | (54) | (98) | (93) |
| Cash dividends paid | (1,596) | (1,569) | (4,762) | (4,681) |
| **Net cash provided by/(used in) financing activities** | **607** | **(3,012)** | **(2,402)** | **(423)** |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 3 | (59) | (209) | 429 |
| Net change in cash, cash equivalents and restricted cash | 2,064 | (426) | (4,359) | (2,561) |
| Cash, cash equivalents and restricted cash at the beginning of the period | 7,217 | 12,026 | 13,640 | 14,160 |
| **Cash, cash equivalents and restricted cash at the end of the period** | **$ 9,282** | **$ 11,600** | **$ 9,282** | **$ 11,600** |

(1) Reclassified to align with the Consolidated Statement of Cash Flows presentation.

(2) Includes operating lease right-of-use assets amortization.

(3) Prior-year amounts have been reclassified to conform to the change in 2026 presentation.

**INTERNATIONAL BUSINESS MACHINES CORPORATION**
**GAAP NET INCOME TO ADJUSTED EBITDA RECONCILIATION**
**(Unaudited)**

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| **($ in billions)** | **2026** | **2025** | **Yr/Yr** | **2026** | **2025** | **Yr/Yr** |
| **Net income as reported (GAAP)** | **$ 2.2** | **$ 1.7** | **$ 0.4** | **$ 5.6** | **$ 5.0** | **$ 0.6** |
| Less: income from discontinued operations, net of tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Income from continuing operations | 2.2 | 1.7 | 0.5 | 5.6 | 5.0 | 0.6 |
| Provision for/(benefit from) income taxes from continuing ops. | 0.3 | 0.7 | (0.4) | 0.8 | 1.2 | (0.4) |
| **Pre-tax income from continuing operations (GAAP)** | **2.5** | **2.4** | **0.1** | **6.4** | **6.2** | **0.2** |
| Non-operating adjustments (before tax) | | | | | | |
| Acquisition-related charges [1] | 0.7 | 0.6 | 0.1 | 2.1 | 1.7 | 0.3 |
| Non-operating retirement-related costs/(income) | 0.1 | 0.0 | 0.1 | 0.3 | 0.1 | 0.2 |
| **Operating (non-GAAP) pre-tax income from continuing ops.** | **3.3** | **3.0** | **0.3** | **8.7** | **8.0** | **0.7** |
| Net interest expense | 0.4 | 0.3 | 0.1 | 1.1 | 0.9 | 0.2 |
| Depreciation/amortization of non-acquired intangible assets | 0.7 | 0.7 | 0.0 | 2.1 | 2.1 | 0.0 |
| Stock-based compensation | 0.5 | 0.4 | 0.1 | 1.5 | 1.3 | 0.3 |
| Workforce rebalancing charges | 0.0 | 0.0 | 0.0 | 0.4 | 0.4 | 0.0 |
| Corporate (gains) and charges [2] | 0.0 | 0.0 | 0.0 | (0.2) | 0.0 | (0.2) |
| **Adjusted EBITDA** | **$ 4.9** | **$ 4.6** | **$ 0.3** | **$ 13.7** | **$ 12.7** | **$ 1.0** |
| Revenue | $ 17.1 | $ 16.3 | 5 % | $ 50.2 | $ 47.8 | 5 % |
| **GAAP net income margin** | **12.8 %** | **10.7 %** | **2.1pts** | **11.1 %** | **10.4 %** | **0.7pts** |
| **Adjusted EBITDA margin** | **28.7 %** | **28.0 %** | **0.6pts** | **27.2 %** | **26.5 %** | **0.8pts** |

(1) Primarily consists of amortization of acquired intangible assets.
(2) Primarily consists of unique corporate actions such as gains on divestitures and asset sales.

**INTERNATIONAL BUSINESS MACHINES CORPORATION**
**SEGMENT DATA**
**(Unaudited)**

| | Three Months Ended September 30, 2026 | | | |
|---|---|---|---|---|
| **($ in millions)** | **Software** | **Consulting** | **Infrastructure** | **Financing** |
| **Revenue** | $ 7,804 | $ 5,335 | $ 3,707 | $ 192 |
| **Segment profit** | $ 2,734 | $ 653 | $ 715 | $ 108 |
| **Segment profit margin** | 35.0 % | 12.2 % | 19.3 % | 56.1 % |
| **Change YTY revenue** | 8.2 % | 0.2 % | 4.2 % | (3.9) % |
| **Change YTY revenue - constant currency** | 8.7 % | 1.8 % | 4.9 % | (3.3) % |

| | Three Months Ended September 30, 2025 | | | |
|---|---|---|---|---|
| **($ in millions)** | **Software** | **Consulting** | **Infrastructure** | **Financing** |
| **Revenue** | $ 7,209 | $ 5,324 | $ 3,559 | $ 200 |
| **Segment profit** | $ 2,374 | $ 686 | $ 644 | $ 123 |
| **Segment profit margin** | 32.9 % | 12.9 % | 18.1 % | 61.6 % |

| | Nine Months Ended September 30, 2026 | | | |
|---|---|---|---|---|
| **($ in millions)** | **Software** | **Consulting** | **Infrastructure** | **Financing** |
| **Revenue** | $ 22,617 | $ 15,934 | $ 10,868 | $ 598 |
| **Segment Profit** | $ 7,335 | $ 1,858 | $ 2,074 | $ 334 |
| **Segment Profit Margin** | 32.4 % | 11.7 % | 19.1 % | 55.9 % |
| **Change YTY Revenue** | 8.1 % | 1.5 % | 2.7 % | 7.3 % |
| **Change YTY Revenue - Constant Currency** | 7.0 % | 1.2 % | 1.9 % | 5.7 % |

| | Nine Months Ended September 30, 2025 | | | |
|---|---|---|---|---|
| **($ in millions)** | **Software** | **Consulting** | **Infrastructure** | **Financing** |
| **Revenue** | $ 20,932 | $ 15,706 | $ 10,586 | $ 557 |
| **Segment Profit** | $ 6,517 | $ 1,807 | $ 1,857 | $ 371 |
| **Segment Profit Margin** | 31.1 % | 11.5 % | 17.5 % | 66.5 % |

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

**Three Months Ended September 30, 2026**

**Continuing Operations**

| | GAAP | Acquisition-Related Adjustments [1] | Retirement-Related Adjustments [2] | Tax Reform Impacts | Operating (Non-GAAP) |
|---|---|---|---|---|---|
| Gross profit | $ 9,714 | $ 289 | $ — | $ — | $ 10,004 |
| Gross profit margin | 56.8 % | 1.7 pts | — pts | — pts | 58.5 % |
| SG&A | $ 4,620 | $ (428) | $ — | $ — | $ 4,193 |
| Other (income) & expense | (109) | 0 | (91) | — | (200) |
| Total expense & other (income) | 7,217 | (418) | (91) | — | 6,708 |
| Pre-tax income from continuing operations | 2,497 | 707 | 91 | — | 3,295 |
| Pre-tax margin from continuing operations | 14.6 % | 4.1 pts | 0.5 pts | — pts | 19.3 % |
| Provision for/(benefit from) income taxes [3] | $ 298 | $ 166 | $ 20 | — | $ 483 |
| Effective tax rate | 11.9 % | 2.5 pts | 0.3 pts | — pts | 14.7 % |
| Income from continuing operations | $ 2,199 | $ 542 | $ 71 | $ — | $ 2,812 |
| Income margin from continuing operations | 12.9 % | 3.2 pts | 0.4 pts | — pts | 16.4 % |
| Diluted earnings per share: continuing operations | $ 2.31 | $ 0.57 | $ 0.07 | $ — | $ 2.95 |

**Three Months Ended September 30, 2025**

**Continuing Operations**

| | GAAP | Acquisition-Related Adjustments [1] | Retirement-Related Adjustments [2] | Tax Reform Impacts | Operating (Non-GAAP) |
|---|---|---|---|---|---|
| Gross profit | $ 9,360 | $ 231 | $ — | $ — | $ 9,591 |
| Gross profit margin | 57.3 % | 1.4 pts | — pts | — pts | 58.7 % |
| SG&A | $ 4,748 | $ (354) | $ — | $ — | $ 4,394 |
| Other (income) & expense | (173) | (6) | (13) | — | (191) |
| Total expense & other (income) | 6,931 | (359) | (13) | — | 6,559 |
| Pre-tax income from continuing operations | 2,430 | 590 | 13 | — | 3,033 |
| Pre-tax margin from continuing operations | 14.9 % | 3.6 pts | 0.1 pts | — pts | 18.6 % |
| Provision for/(benefit from) income taxes [3] | $ 686 | $ 136 | $ 3 | $ (309) | $ 516 |
| Effective tax rate | 28.2 % | (1.0) pts | 0.0 pts | (10.2) pts | 17.0 % |
| Income from continuing operations | $ 1,744 | $ 454 | $ 10 | $ 309 | $ 2,517 |
| Income margin from continuing operations | 10.7 % | 2.8 pts | 0.1 pts | 1.9 pts | 15.4 % |
| Diluted earnings per share: continuing operations | $ 1.84 | $ 0.48 | $ 0.01 | $ 0.33 | $ 2.65 |

(1) Includes amortization of acquired intangible assets and acquisition-related charges such as in-process research and development, transaction costs, applicable retention, restructuring and related expenses, tax charges related to acquisition integration, and pre-closing charges, such as financing costs.

(2) Includes amortization of prior service costs, interest cost, expected return on plan assets, amortized actuarial gains/losses, the impacts of any plan curtailments/settlements and pension insolvency costs and other costs.

(3) The tax impact on operating (non-GAAP) pre-tax income from continuing operations is calculated under the same accounting principles applied to the GAAP pre-tax income.

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

| | Nine Months Ended September 30, 2026 Continuing Operations | | | | |
|---|---|---|---|---|---|
| | GAAP | Acquisition-Related Adjustments [1] | Retirement-Related Adjustments [2] | Tax Reform Impacts | Operating (Non-GAAP) |
| Gross Profit | $ 28,571 | $ 813 | $ — | $ — | $ 29,384 |
| Gross Profit Margin | 56.9 % | 1.6 pts | — pts | — pts | 58.6 % |
| SG&A | $ 14,691 | $ (1,257) | $ — | $ — | $ 13,435 |
| Other (Income) & Expense | (296) | 1 | (283) | — | (578) |
| Total Expense & Other (Income) | 22,208 | (1,256) | (283) | — | 20,669 |
| Pre-tax Income from Continuing Operations | 6,363 | 2,069 | 283 | — | 8,715 |
| Pre-tax Margin from Continuing Operations | 12.7 % | 4.1 pts | 0.6 pts | — pts | 17.4 % |
| Provision for/(Benefit from) Income Taxes [3] | $ 782 | $ 470 | $ 43 | $ (6) | $ 1,290 |
| Effective Tax Rate | 12.3 % | 2.5 pts | 0.1 pts | (0.1) pts | 14.8 % |
| Income from Continuing Operations | $ 5,581 | $ 1,598 | $ 240 | $ 6 | $ 7,425 |
| Income Margin from Continuing Operations | 11.1 % | 3.2 pts | 0.5 pts | 0.0 pts | 14.8 % |
| Diluted Earnings Per Share: Continuing Operations | $ 5.86 | $ 1.68 | $ 0.25 | $ 0.01 | $ 7.79 |

| | Nine Months Ended September 30, 2025 Continuing Operations | | | | |
|---|---|---|---|---|---|
| | GAAP | Acquisition-Related Adjustments [1] | Retirement-Related Adjustments [2] | Tax Reform Impacts | Operating (Non-GAAP) |
| Gross Profit | $ 27,369 | $ 657 | $ — | $ — | $ 28,025 |
| Gross Profit Margin | 57.2 % | 1.4 pts | — pts | — pts | 58.6 % |
| SG&A | $ 14,661 | $ (1,055) | $ — | $ — | $ 13,606 |
| Other (Income) & Expense | (376) | (7) | (61) | — | (444) |
| Total Expense & Other (Income) | 21,184 | (1,066) | (61) | — | 20,058 |
| Pre-tax Income from Continuing Operations | 6,185 | 1,723 | 61 | — | 7,968 |
| Pre-tax Margin from Continuing Operations | 12.9 % | 3.6 pts | 0.1 pts | — pts | 16.7 % |
| Provision for/(Benefit from) Income Taxes [3] | $ 1,193 | $ 396 | $ 0 | $ (307) | $ 1,282 |
| Effective Tax Rate | 19.3 % | 0.8 pts | (0.2) pts | (3.9) pts | 16.1 % |
| Income from Continuing Operations | $ 4,992 | $ 1,326 | $ 61 | $ 307 | $ 6,686 |
| Income Margin from Continuing Operations | 10.4 % | 2.8 pts | 0.1 pts | 0.6 pts | 14.0 % |
| Diluted Earnings Per Share: Continuing Operations | $ 5.27 | $ 1.40 | $ 0.06 | $ 0.32 | $ 7.06 |

(1) Includes amortization of acquired intangible assets, and acquisition-related charges such as in-process research and development, transaction costs, applicable retention, restructuring and related expenses, tax charges related to acquisition integration, and pre-closing charges, such as financing costs.

(2) Includes amortization of prior service costs, interest cost, expected return on plan assets, amortized actuarial gains/losses, the impacts of any plan curtailments/settlements and pension insolvency costs and other costs.

(3) The tax impact on operating (non-GAAP) pre-tax income from continuing operations is calculated under the same accounting principles applied to the GAAP pre-tax income.

**INTERNATIONAL BUSINESS MACHINES CORPORATION**
**GAAP OPERATING CASH FLOW TO FREE CASH FLOW RECONCILIATION**
**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **($ in millions)** | **2026** | **2025** | **2026** | **2025** |
| **Net cash provided by operating activities per GAAP** | **$ 4,025** | **$ 3,081** | **$ 11,791** | **$ 9,153** |
| Less: change in IBM Financing receivables | 541 | 298 | 2,805 | 905 |
| **Net cash from operating activities excl. IBM Financing receivables** | **3,484** | **2,783** | **8,986** | **8,248** |
| Capital expenditures, net | (457) | (410) | (1,200) | (1,067) |
| **Free cash flow** | **$ 3,027** | **$ 2,373** | **$ 7,787** | **$ 7,181** |

**INTERNATIONAL BUSINESS MACHINES CORPORATION**
**GAAP OPERATING CASH FLOW TO ADJUSTED EBITDA RECONCILIATION**
**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **($ in billions)** | **2026** | **2025** | **2026** | **2025** |
| **Net cash provided by operating activities** | **$ 4.0** | **$ 3.1** | **$ 11.8** | **$ 9.2** |
| Add: | | | | |
| Net interest expense | 0.4 | 0.3 | 1.1 | 0.9 |
| Provision for/(benefit from) income taxes from continuing operations | 0.3 | 0.7 | 0.8 | 1.2 |
| Less change in: | | | | |
| Financing receivables | 0.5 | 0.3 | 2.8 | 0.9 |
| Net (gain)/loss on divestitures, assets sales and other [1] | 0.0 | 0.0 | (0.1) | 0.0 |
| Other assets and liabilities/other, net [1,2] | (0.7) | (0.8) | (2.6) | (2.2) |
| **Adjusted EBITDA** | **$ 4.9** | **$ 4.6** | **$ 13.7** | **$ 12.7** |
| Revenue | $ 17.1 | $ 16.3 | $ 50.2 | $ 47.8 |
| **Net cash provided by operating activities margin** | **23.5 %** | **18.9 %** | **23.5 %** | **19.1 %** |
| **Adjusted EBITDA margin** | **28.7 %** | **28.0 %** | **27.2 %** | **26.5 %** |

(1) Reclassified to align with the presentation of similar line items in the Statement of Cash Flows.

(2) Mainly consists of Changes in operating assets and liabilities, net of acquisitions/divestitures in the Statement of Cash Flows chart, workforce rebalancing charges, non-operating impacts, and corporate (gains) and charges, less the change in Financing receivables.